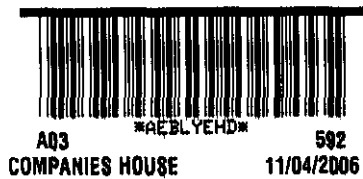


Company Registration No. 3958476

**Interactive Brokers (U.K.) Limited**

Report and Financial Statements

31 December 2005



# **Interactive Brokers (U.K.) Limited**

## **Report and financial statements 2005**

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# **Interactive Brokers (U.K.) Limited**

## **Directors**

Thomas Peterffy  
Yograj Aggarwal  
Gerald Perez  
Jonathan Chait

## **Secretary**

Paul Brody

## **Registered office**

One Carey Lane  
Fifth Floor  
London EC2V 8AE

## **Bankers**

National Westminster Bank Plc  
PO Box 712  
94 Moorgate  
London EC2M 6XT

## **Solicitors**

Clifford Chance  
200 Aldersgate Street  
London EC1A 4JJ

## **Auditors**

Deloitte & Touche LLP  
London

# Interactive Brokers (U.K.) Limited

## Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 2005.

### ACTIVITIES AND REVIEW OF DEVELOPMENTS

Interactive Brokers (U.K.) Limited offers execution and clearing broking services in equity and derivative products to European private clients. Interactive Brokers (U.K.) Limited has been authorised to carry out investment business by the Financial Services Authority since 6 February 2002.

The firm is a member of the London Stock Exchange and a general clearing member of London Clearing House for LSE, LIFFE, EDX and the Virt-x exchange. It is also a member of IDEM Borsa Italiana, the Italian derivatives exchange, and MEFF, the Spanish derivatives exchange.

### RESULTS AND DIVIDENDS

The directors report a profit after taxation of £1,411,608 for the year ended 31 December 2005 (2004: £974,835). No dividends are proposed (2004 - £nil).

### FUTURE PROSPECTS

The directors do not anticipate any change to the company's activities for the foreseeable future.

### FINANCIAL RISK

Management take appropriate steps to minimise the impact of operational risks faced by the Company. Credit risk is mitigated through the rigorous assessment of all new clients. Trading activities also exposes the Company to liquidity and cash-flow risk. However, the Company has sufficient facilities to deal with these as they arise.

### CHANGE IN REGISTERED OFFICE

During the year, the company's registered office was changed to One Carey Lane, Fifth Floor, London EC2V 8AE.

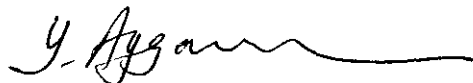
### DIRECTORS' INTERESTS

Thomas Peterffy, Gerald Perez, Yograj Aggarwal and Jonathan Chait have been directors of the company throughout the year. None of the directors has interests in the share capital of the company or other UK group companies that are required to be disclosed under the Companies Act 1985.

### AUDITORS

A resolution to reappoint Deloitte & Touche LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Yograj Aggarwal

Director

29 March 2006

## **Interactive Brokers (U.K.) Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERACTIVE BROKERS (U.K.) LIMITED**

We have audited the financial statements of Interactive Brokers (U.K.) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

*Chartered Accountants and Registered Auditors  
London, United Kingdom*

*29 March 2006*

## Interactive Brokers (U.K.) Limited

### Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
<b>Turnover</b>	1	5,371,531	3,727,065
Administrative expenses	2,3	<u>(4,391,498)</u>	<u>(3,444,776)</u>
<b>Operating profit</b>		980,033	282,289
Interest receivable	5	1,946,293	1,729,270
Interest payable	6	<u>(856,755)</u>	<u>(630,198)</u>
<b>Profit on ordinary activities before taxation</b>		2,069,571	1,381,361
Tax on profit on ordinary activities	7	<u>(657,963)</u>	<u>(406,526)</u>
<b>Profit on ordinary activities after taxation and profit for the financial year</b>		<u>1,411,608</u>	<u>974,835</u>

The company has no recognised gains or losses other than the results stated above, hence a statement of total recognised gains and losses is not presented.

All activities derive from continuing operations.




## Interactive Brokers (U.K.) Limited

### Balance sheet As at 31 December 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	8	155,991	3,667
Investments	9	297,619	297,619
		<u>453,610</u>	<u>301,286</u>
<b>Current assets</b>			
Debtors	10	19,657,444	22,006,218
Investments	11	17,403,955	12,356,146
Prepayments		218	20,443
Cash at bank and in hand		1,458,713	1,444,256
		<u>38,520,330</u>	<u>35,827,063</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(22,141,860)</u>	<u>(20,758,578)</u>
<b>Net current assets</b>		<u>16,378,470</u>	<u>15,068,485</u>
<b>Total assets less current liabilities</b>		16,832,080	15,369,771
Creditors: amounts falling due after one year	13	(121,992)	(73,735)
Provisions for liabilities and charges	14	(2,534)	(90)
<b>Net assets</b>		<u>16,707,554</u>	<u>15,295,946</u>
<b>Capital and reserves</b>			
Called up share capital	15	79,332	79,332
Capital contribution	16	14,220,668	14,220,668
Profit and loss account	16	2,407,554	995,946
<b>Equity shareholders' funds</b>	16	<u>16,707,554</u>	<u>15,295,946</u>

The financial statements were approved by the Board of Directors on 29 March 2006.

Signed on behalf of the Board of Directors



Yograj Aggarwal

Director

# Interactive Brokers (U.K.) Limited

## Notes to the accounts Year ended 31 December 2005

### 1. Accounting policies

The financial statements are prepared under the historic cost convention as modified by the inclusion of certain current assets investments at market value and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Tangible fixed assets

Tangible assets are stated at cost net of depreciation. Depreciation is provided on all fixed assets in equal annual instalments over the estimated useful lives of assets. The rates of depreciation are as follows:

Leasehold improvements	10 years
Fixtures and fittings	7 years
Computer equipment	3 years

#### Investments

Investments held as fixed assets are recorded at cost, less provision for impairment. Current asset investments are listed and are stated at market value.

#### Turnover

Turnover is recognised on an accruals basis and represents commission earned from agency trades.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions. Exchange differences are dealt with in arriving at the operating profit for the year.

#### Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement under paragraph 5 of Financial Reporting Standard No. 1.

#### Current taxation

Corporation taxation payable is provided on taxable profits in the current year.

#### Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### Client money

Client money is held by the Company's parent undertaking, Interactive Brokers Group LLC. Such money and the corresponding liabilities to clients are not reflected in the Company's balance sheet.

## Interactive Brokers (U.K.) Limited

### Notes to the accounts Year ended 31 December 2005

#### 2. Administrative expenses

Administrative expenses include:

	2005	2004
	£	£
Clearing fees payable	887,702	536,141
Exchange fees payable	1,385,298	983,231
Foreign exchange (gains)/losses	(23,628)	31,854
	<u>          </u>	<u>          </u>

	2005	2004
	£	£
Operating profit is arrived at after charging :-		
Depreciation	14,448	1,388
Auditors' remuneration in respect of Audit services	21,325	17,870
	<u>          </u>	<u>          </u>

#### 3. Employee Information including directors

	2005	2004
	£	£
Staff costs including directors:		
Wages and salaries	664,422	690,627
Social security costs	80,374	76,915
	<u>          </u>	<u>          </u>
	744,796	767,542
	<u>          </u>	<u>          </u>

The average monthly number of employees in the year was eight (2004: eight).

#### 4. Directors' emoluments

	2005	2004
	£	£
Emoluments	254,025	247,850
	<u>          </u>	<u>          </u>

The amounts in respect of the highest paid director are as follows:

	2005	2004
	£	£
Emoluments	130,300	126,000
	<u>          </u>	<u>          </u>

## Interactive Brokers (U.K.) Limited

### Notes to the accounts Year ended 31 December 2005

#### 5. Interest receivable

	2005 £	2004 £
Bank interest	920,727	397,698
Coupon interest	339,809	688,163
Intercompany interest receivable	685,758	643,409
	<u>1,946,294</u>	<u>1,729,270</u>

#### 6. Interest payable

	2005 £	2004 £
Interest expense	8,563	6,047
Intercompany interest payable	848,192	624,151
	<u>856,755</u>	<u>630,198</u>

#### 7. Tax charge on profit on ordinary activities

	2005 £	2004 £
<b>Analysis of tax charge on ordinary activities</b>		
United Kingdom corporation tax at 30% (2003: 30%)	(637,516)	(406,605)
Adjustment in respect of prior years	(18,003)	-
	<u>(655,519)</u>	<u>(406,605)</u>
Deferred Tax:		
Timing differences	(2,444)	79
	<u>(657,963)</u>	<u>(406,526)</u>
Current tax charge for period	<u>(657,963)</u>	<u>(406,526)</u>

## Interactive Brokers (U.K.) Limited

### Notes to the accounts Year ended 31 December 2005

#### 7. Tax on profit on ordinary activities (continued)

	2005 £	2004 £
<b>Factors affecting tax charge for the current period</b>		
Profit on ordinary activities before tax	2,069,570	1,381,361
Tax at 30% thereon:	(620,871)	(414,408)
Expenses not deductible for tax purposes	(2,306)	(68)
Capital allowances in excess of depreciation	2,444	(79)
Other deferred tax movements	(19,227)	7,950
Adjustment in respect of prior years	(18,003)	-
Current tax for period	(657,963)	(406,605)

#### Factors that may effect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to deferred salaries as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £47,795 (2004 - £41,447). The asset would be recovered if the company generated trading profits in future accounting periods.

#### 8. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
At 1 January 2005	-	-	6,939	6,939
Additions	101,650	65,122	-	166,772
At 31 December 2005	101,650	65,122	6,939	173,711
<b>Depreciation</b>				
At 1 January 2005	-	-	3,272	3,272
Charge for the year	5,473	5,308	3,667	14,448
At 31 December 2005	5,473	5,308	6,939	17,720
<b>Net book value</b>				
At 31 December 2005	96,177	59,814	-	155,991
At 31 December 2004	-	-	-	3,667

# Interactive Brokers (U.K.) Limited

## Notes to the accounts Year ended 31 December 2005

### 9. Fixed asset investments

	£
At 1 January 2005	297,619
Additions in the year	-
	<hr/>
At 31 December 2005	<u>297,619</u>

The fixed asset investments relate to the company's shareholding in the London Clearing House. The holding is stated at cost. The directors consider that the market value at 31 December 2005 was not less than the net book value shown in the financial statements.

### 10. Debtors

	2005 £	2004 £
Trade debtors	19,247,695	8,965,303
Amounts owed from group undertakings	320,248	12,985,959
Other debtors	89,501	54,955
	<hr/>	<hr/>
	<u>19,657,444</u>	<u>22,006,218</u>

### 11. Current asset investments

	2005 £	2004 £
German government bonds	16,699,745	12,356,146
	<hr/>	<hr/>
	<u>16,699,745</u>	<u>12,356,146</u>

The German government bonds mature within one year and have been classified as a current asset investment. They are valued at market value at the year-end.

### 12. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	735,592	-
Trade creditors	58,333	-
Amounts owed to group undertakings	20,533,594	19,926,556
UK Corporation Tax	265,852	282,692
Accruals and deferred income	548,489	549,330
	<hr/>	<hr/>
	<u>22,141,860</u>	<u>20,758,578</u>

## Interactive Brokers (U.K.) Limited

### Notes to the accounts Year ended 31 December 2005

#### 13. Creditors: amounts falling due after one year

	2005 £	2004 £
Employee incentive plan	121,992	73,735
	<u>121,992</u>	<u>73,735</u>

The employee incentive plan is a performance-related plan that allocates payments to certain employees over a five-year term. All units will become payable in 2008.

#### 14. Provisions for liabilities and charges

Movement on deferred taxation balance in the period:	Deferred taxation £
At 1 January 2005	(90)
Charge to the profit and loss account	<u>(2,444)</u>
At 31 December 2005	<u><u>(2,534)</u></u>

#### 15. Share capital

	2005 No.	2004 No.
Authorised:		
A ordinary shares of £1 each	1,100	1,100
B ordinary shares of €1 each	125,000	125,000
	<b>2005</b>	<b>2004</b>
	£	£
Allotted, called up and fully paid:		
700 A ordinary shares of £1 each (2004: 700 A ordinary share of £1 each)	700	700
125,000 B ordinary shares of €1 each (2004: 125,000 B ordinary shares of €1 each)	<u>78,632</u>	<u>78,632</u>
	<u>79,332</u>	<u>79,332</u>

Class A and B shares rank pari passu and have one vote per share, no preferential dividend rights, no redemption rights and an unlimited right to share in any surplus remaining on the winding up of the company.

## Interactive Brokers (U.K.) Limited

### Notes to the accounts Year ended 31 December 2005

#### 16. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Shareholders' funds as at 1 January	15,295,946	12,321,111
Capital contribution made during the year	-	2,000,000
Profit for the financial year	1,411,608	974,835
	<u>16,707,554</u>	<u>15,295,946</u>
Shareholders' funds as at 31 December	<u>16,707,554</u>	<u>15,295,946</u>

#### 17. Statement of Movements on reserves

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 2005	14,220,668	995,946	15,216,614
Profit for the financial year	-	1,411,608	1,411,608
	<u>14,220,668</u>	<u>2,407,554</u>	<u>16,628,222</u>
Balance at 31 December 20045	<u>14,220,668</u>	<u>2,407,554</u>	<u>16,628,222</u>

#### 18. Client money

At 31 December 2005, client money held by the parent company on behalf of the Company's clients amounted to £243,288,761 (2004: £145,559,693).

#### 19. Immediate and ultimate controlling company and related party disclosures

The company's immediate and ultimate controlling party is Interactive Brokers Group LLC, a company incorporated in the USA. Consolidated financial statements are publicly available from the company's registered office, Two Pickwick Plaza, Greenwich, Connecticut 06830, United States of America.

The company has taken advantage of the exemption from reporting related party transactions with group undertakings under paragraph 3(d) of Financial Reporting Standard No. 8.



**INDEPENDENT AUDITORS' REPORT TO THE FINANCIAL SERVICES AUTHORITY  
(‘THE FSA’) IN RESPECT OF INTERACTIVE BROKERS (U.K.) LIMITED FOR THE  
YEAR ENDED 31 DECEMBER 2005**

We report in respect of Interactive Brokers (U.K.) Limited (‘the firm’), a securities and futures firm on:

- the attached annual financial statements;
- the following information set out in the attached Annual Reporting Statement:
  - the balance sheet and profit and loss account;
  - the statements of financial resources and financial resources requirement;
- the statement of the firm’s expenditure requirement for the forthcoming year;
- the attached reconciliation between the balance sheets in the annual financial statements, the Annual Reporting Statement and the Monthly Reporting Statement;

and on the further matters set out below. Our report is provided to the FSA in its capacity as a regulator under the Financial Services and Markets Act 2000. Our report should not be disclosed to any third party or otherwise quoted or referred to without our prior written consent.

We have audited the annual financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and have carried out such other procedures as we considered necessary for the purposes of the report having regard to practice Note 21, “The audit of investment businesses in the United Kingdom”. We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our report to the FSA.

**Financial Statements**

In our opinion:

- the annual financial statements give a true and fair view of the firm’s state of affairs in accordance with United Kingdom Generally Accepted Accounting Practice as at 31 December 2005 and of its profit for the year then ended;
- the Annual Reporting Statement has been properly prepared in accordance with the FSA’s rules;
- the balance sheet and profit and loss account in the Annual Reporting Statement are in agreement with the firm’s accounting records and returns; and
- the balance sheet in the Annual Reporting Statement has been properly reconciled to the balance sheet of the annual financial statements and to the balance sheet in the monthly reporting statement prepared by the firm as at 31 December 2005.

**Financial resources**

In our opinion:

- the firm’s statements of financial resources and financial resources requirement as at 31 December 2005 have been properly prepared in accordance with the FSA’s rules;
- the firm’s financial resources as at 31 December 2005 are sufficient to meet the firm’s financial resources requirement at that date; and
- the statement of the firm’s expenditure requirement for the forthcoming year has been prepared in accordance with the FSA’s rules.

**Accounting records**

In our opinion the firm has, throughout the year, kept proper accounting records in accordance with the FSA's rules.

**Client Assets**

The directors have stated that the firm did not hold client money or custody assets during the year. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held client money or custody assets during the year.

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants & Registered Auditors

London

29 March 2006

## Interactive Brokers (UK) Limited

### Reconciliation between annual audited balance sheet and balance sheets shown in monthly and annual reporting statements as at 31 December 2005

	Fixed assets £'000	Debtors £'000	Cash at bank £'000	Creditors less than one year £'000	Creditors more than one year £'000	Capital contribution £'000	Share capital £000	Profit and loss account £'000
Per monthly reporting statement	454	37,061	1,459	(22,126)	(140)	(14,220)	(80)	(2,408)
Adjustment 1				(16)	16			
Per Annual Reporting Statement	454	37,061	1,459	(22,142)	(124)	(14,220)	(80)	(2,408)
Adjustment 2		1			(1)	(1)	1	
Per audited financial statements	454	37,062	1,459	(22,142)	(125)	(14,221)	(79)	(2,408)

#### Notes

Adjustment 1 relates to a reclassification of liabilities between current and non-current.

Adjustment 2 relates to rounding differences.

## Interactive Brokers (UK) Limited

The annual expenditure requirement has been calculated in accordance with rule 10-73.

	£'000
Revenue:	
Turnover	5,372
Interest receivable	1,946
	<hr/>
Total Revenue per Rule 10-73 (2) (a)	7,318
Less:	
Profit before taxation	(2,070)
Bonuses	(105)
Commission and brokerage	(2,273)
Interest payable to counterparties	(8)
Relevant annual expenditure	2,862
	<hr/> <hr/>
Expenditure requirement (1/4 x £2,862,000)	716
	<hr/> <hr/>