

Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

Report and Financial Statements

31 December 2006



Interactive Brokers (U.K.) Limited

Report and financial statements 2006

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Interactive Brokers (U.K.) Limited

Officers and professional advisers

Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chait

Secretary

Paul Brody

Registered office

One Carey Lane
Fifth Floor
London EC2V 8AE

Bankers

Citigroup, N.A.
Citigroup Centre
Canada Square
Canary Warf
London E14 5LB

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, together with the financial statements and auditors' report for the year ended 31 December 2006.

ACTIVITIES AND REVIEW OF DEVELOPMENTS

Interactive Brokers (U.K.) Limited offers execution and clearing broking services in equity and derivative products to European private and institutional 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, Irish Stock Exchange, IDEM Borsa Italiana, the Italian derivatives exchange, and MEFF, the Spanish derivatives exchange. It is also a general clearing member of London Clearing House for LSE, LIFFE, EDX and the Virt-x exchange.

RESULTS AND DIVIDENDS

The directors' report a profit after taxation of £1,846,425 for the year ended 31 December 2006 (2005: £1,411,608). No dividends are proposed (2005 - £nil).

FUTURE PROSPECTS

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

BUSINESS REVIEW

Overall, pre-tax profit increased by 29% or £0.6 million to £2.7 million for the year ended 31 December 2006 from £2.1 million for the year ended 2005. The increase in pre-tax profits was primarily due to these major factors: increases in customer cash and margin balances, held by Interactive Brokers, LLC, increase in volume across all products and increase in the number of customer accounts.

For the year ended 31 December 2006, trade volume on the London Stock Exchange ("LSE") increased approximately 159% or 0.9 million trades to 1.6 million trades and total trade value increase approximately 220% or £21.0 million to £30.6 million from 31 December 2005. Futures volume increased by 33% or 3.8 million contracts to 15.1 million contracts for the year ended 31 December 2006. For the year ended 31 December 2006 options volume increased by 16% or 1.2 million contracts to 8.6 million contracts from 7.5 million contracts for the year ended 31 December 2005. The number of customer accounts grew by approximately 42% or 6,000 to 20,000 in 2006.

In addition, the Company became a member of the Irish Stock Exchange (ISE) in June of 2006. Since becoming a member, the Company transacted over 9,000 trades on the ISE.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Management takes appropriate steps to minimise the impact of operational risks faced by the Company.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is mitigated through the rigorous assessment of all new clients and through an annual review of the creditworthiness of existing clients.

Liquidity and cash flow risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments and to manage its cash flows, the Company has sufficient facilities to deal with these risks as they arise.

Interactive Brokers (U.K.) Limited

Directors' report (Continued)

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

Each of the persons who is a director at the date of approval of this report confirms that:

(1) So far as the director is aware there is no relevant audit information of which the Company's auditors are unaware; and

(2) The director has taken all the steps that he/she ought to have taken as a director in order to make himself / herself, aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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

23 March 2007

Interactive Brokers (U.K.) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 U.K. 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 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 2006 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

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 circumstances of the Company, 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.

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

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 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

23 March 2007

Interactive Brokers (U.K.) Limited

Profit and loss account Year ended 31 December 2006

	Note	2006 £	2005 £
Turnover		7,477,806	5,371,531
Administrative expenses	2,3	(5,940,982)	(4,415,126)
Other operating income		<u>90,284</u>	<u>23,628</u>
Operating profit		1,627,108	980,033
Interest receivable	5	3,022,818	1,946,293
Interest payable	6	<u>(1,981,143)</u>	<u>(856,755)</u>
Profit on ordinary activities before taxation		2,668,783	2,069,571
Tax on profit on ordinary activities	7	<u>(822,358)</u>	<u>(657,963)</u>
Profit on ordinary activities after taxation and profit for the financial year		<u><u>1,846,425</u></u>	<u><u>1,411,608</u></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 are derived from continuing operations.

Interactive Brokers (U.K.) Limited

Balance sheet

As at 31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	139,955	155,991
Investments	9	297,619	297,619
		<u>437,574</u>	<u>453,610</u>
CURRENT ASSETS			
Debtors	10	62,517,047	19,657,444
Investments	11	30,609,082	17,403,955
Prepayments		43,821	218
Cash at bank and in hand		2,636,080	1,458,713
		<u>95,806,030</u>	<u>38,520,330</u>
CREDITORS: amounts falling due within one year	12	(77,575,457)	(22,141,860)
NET CURRENT ASSETS		<u>18,230,573</u>	<u>16,378,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,668,147</u>	<u>16,832,080</u>
Creditors: amounts falling due after one year	13	(133,356)	(121,992)
Deferred taxation	14	19,189	(2,534)
NET ASSETS		<u>18,553,980</u>	<u>16,707,554</u>
CAPITAL AND RESERVES			
Called up share capital	15	79,332	79,332
Capital contribution	17	14,220,668	14,220,668
Profit and loss account	17	4,253,980	2,407,554
EQUITY SHAREHOLDERS' FUNDS	16	<u>18,553,980</u>	<u>16,707,554</u>

The financial statements were approved by the Board of Directors on 16 March 2007.

Signed on behalf of the Board of Directors

Yograj Aggarwal

Director

Interactive Brokers (U.K.) Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies

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

The principal accounting policies are summarized below. They have all been applied consistently throughout the year and the preceding year.

Tangible fixed assets

Tangible assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Leasehold improvements	over the lease period
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 stated at market value.

Turnover

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

Interest receivable and payable

Interest receivable and payable are recognised on an accrual basis based on the contracted interest rate.

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 included in the profit and loss account.

Cash flow statement

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

Taxation

Current taxation is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed, at the balance sheet date, where transactions or events that resulted in an obligation to pay more tax in the future or a right to pay less in the future tax have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

Client money

Client money is held by the Company's affiliate, Interactive Brokers 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 2006

2. Administrative expenses

Administrative expenses include:

	2006 £	2005 £
Clearing fees payable	1,483,482	887,702
Exchange fees payable	2,048,206	1,385,298
Depreciation	19,140	14,448
Fees payable to the Company's auditors for the audit of the Company's annual accounts	24,000	21,325
	<u>24,000</u>	<u>21,325</u>

3. Employee information including directors

	2006 No.	2005 No.
Employees:		
Sales	4	6
Information technology	2	0
Compliance	2	1
Administration	1	1
	<u>9</u>	<u>8</u>
	£	£
Staff costs including directors:		
Wages and salaries	774,818	664,422
Social security costs	85,941	80,374
	<u>860,759</u>	<u>744,796</u>

The average monthly number of employees in the year was nine (2005: eight).

4. Directors' emoluments

	2006 £	2005 £
Emoluments	<u>292,835</u>	<u>254,025</u>
	£	£
Remuneration of the highest paid director:		
Emoluments	<u>149,435</u>	<u>130,300</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts Year ended 31 December 2006

5. Interest receivable

	2006 £	2005 £
Bank interest	1,553,374	920,726
Coupon interest	657,430	339,809
Inter-company interest receivable	812,014	685,758
	<u>3,022,818</u>	<u>1,946,293</u>

6. Interest payable

	2006 £	2005 £
Interest expense	18,583	8,563
Inter-company interest payable	1,962,560	848,192
	<u>1,981,143</u>	<u>856,755</u>

7. Tax charge on profit on ordinary activities

	2006 £	2005 £
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2005: 30%)	(851,097)	(637,516)
Adjustment in respect of prior years	7,016	(18,003)
	<u>(844,081)</u>	<u>(655,519)</u>
Deferred Tax:		
Timing differences	21,723	(2,444)
Current tax charge for period	<u>(822,358)</u>	<u>(657,963)</u>

Factors affecting tax charge for the current period

Profit on ordinary activities before tax	<u>2,668,783</u>	<u>2,069,571</u>
Tax at 30% (2005: 30%) thereon:	(800,635)	(620,871)
Expenses not deductible for tax purposes	(4,152)	(1,060)
Depreciation in excess of capital allowances	1,062	802
Other short term timing differences	(47,372)	(16,387)
Adjustment in respect of prior years	7,016	(18,003)
Current tax for period	<u>(844,081)</u>	<u>(655,519)</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts Year ended 31 December 2006

8. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
At 1 January 2006	101,650	65,122	6,939	173,711
Additions	3,105	-	-	3,105
At 31 December 2006	<u>104,755</u>	<u>65,122</u>	<u>6,939</u>	<u>176,816</u>
Depreciation				
At 1 January 2006	5,473	5,308	6,939	17,720
Charge for the year	9,838	9,303	-	19,141
At 31 December 2006	<u>15,311</u>	<u>14,611</u>	<u>6,939</u>	<u>36,861</u>
Net book value				
At 31 December 2006	<u>89,444</u>	<u>50,511</u>	<u>-</u>	<u>139,955</u>
At 31 December 2005	<u>96,177</u>	<u>59,814</u>	<u>-</u>	<u>155,991</u>

9. Fixed asset investments

	£
At 31 December 2006 / 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..

10. Debtors

	2006 £	2005 £
Trade debtors	61,769,284	19,247,695
Amounts owed from group undertakings	380,888	320,248
Other debtors	366,875	89,501
	<u>62,517,047</u>	<u>19,657,444</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts Year ended 31 December 2006

11. Current asset investments

	2006 £	2005 £
German government bonds	30,179,005	16,699,745
Accrued interest on government bonds	430,077	704,210
	<u>30,609,082</u>	<u>17,403,955</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

	2006 £	2005 £
Bank overdraft	-	735,592
Trade creditors	-	58,333
Amounts owed to group undertakings	76,667,221	20,533,595
UK Corporation Tax	225,398	265,852
Accruals and deferred income	682,838	548,488
	<u>77,575,457</u>	<u>22,141,860</u>

13. Creditors: amounts falling due after one year

	2006 £	2005 £
Employee incentive plan	133,356	121,992
	<u>133,356</u>	<u>121,992</u>

The employee incentive plan is a performance-related plan that allocates payments to certain employees over a five-year term. The costs relating to the plan are accrued on a monthly basis until it becomes payable in 2008.

14. Deferred taxation

Movement on deferred taxation balance in the year:

	Deferred taxation	
	2006 £	2005 £
At 1 January	(2,534)	(90)
Charge to the profit and loss account	21,723	(2,444)
At 31 December	<u>19,189</u>	<u>(2,534)</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts Year ended 31 December 2006

14. Deferred taxation (continued)

Analysis of deferred taxation balance:

	2006 £	2005 £
Depreciation in excess of capital allowance	(3,596)	(2,534)
Short term timing differences	22,785	
Deferred tax assets recognised	<u>19,189</u>	<u>(2,534)</u>

15. Share capital

	2006 No.	2005 No.
Authorized:		
A ordinary shares of £1 each	1,100	1,100
B ordinary shares of €1 each	<u>125,000</u>	<u>125,000</u>
	2006 £	2005 £
Allotted, called up and fully paid:		
700 A ordinary shares of £1 each (2005: 700 A ordinary share of £1 each)	700	700
125,000 B ordinary shares of €1 each (2005: 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.

16. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Shareholders' funds as at 1 January	16,707,554	15,295,946
Profit for the financial year	1,846,426	1,411,608
Shareholders' funds as at 31 December	<u>18,553,980</u>	<u>16,707,554</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts Year ended 31 December 2006

17. Statement of movements on reserves

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 2006	14,220,668	2,407,554	16,628,222
Profit for the financial year	-	1,846,425	1,846,425
Balance at 31 December 2006	<u>14,220,668</u>	<u>4,253,979</u>	<u>18,474,647</u>

18. Client money

At 31 December 2006, client money held at an affiliated company on behalf of the Company's clients amounted to £351,824,314 (2005: £243,288,761).

19. Immediate and ultimate controlling company and related party disclosures

The Company's immediate and ultimate controlling party is IBG LLC, a company incorporated in the USA, and its financial statements are consolidated into those of IBG LLC

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.