

E*TRADE UK LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE PERIOD
FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001**

REGISTERED NUMBER: 3598221



E*TRADE UK LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

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E*TRADE UK LIMITED

COMPANY INFORMATION AT 31 DECEMBER 2001

DIRECTORS

P A Chrimes
C Gransby
W Kett
J Verkruysse

SECRETARY

J Chan

REGISTERED OFFICE

Mount Pleasant House
2 Mount Pleasant
Cambridge
CB3 0RN

BUSINESS ADDRESS

Mount Pleasant House
2 Mount Pleasant
Cambridge
CB3 0RN

AUDITORS

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

E*TRADE UK LIMITED

COMPANY INFORMATION
AT 31 DECEMBER 2001

BANKERS

Barclays Bank Plc
PO Box 326
Cambridge
CB4 3UT

The Royal Bank of Scotland Plc
Warehouse Square
138-142 Holborn
London
EC1N 2TH

HSBC Bank Plc
PO Box 181
27-32 Poultry
London
EC2P 2BX

E*TRADE UK LIMITED

DIRECTORS' REPORT

The directors present their report with the financial statements of the company for the period ended 31 December 2001.

PRINCIPAL ACTIVITIES

The company is a securities broker, licensed by the Financial Services Authority and a member of the London Stock Exchange. The company operates as an internet only stockbroker in securities listed on the London Stock Exchange.

From January 2002 the company also acts as an introducing broker to affiliated E*TRADE entities in the USA.

REVIEW OF THE BUSINESS

The net loss after providing for taxation amounted to £6,839,218. (2000: loss £6,316,380)

The loss has been accumulated in developing the company's customer base and in restructuring the company.

DIRECTORS AND THEIR INTERESTS

The directors in office at the end of the period and their beneficial interests in the ultimate parent company at the balance sheet date and the beginning of the period (or on appointment if later) were as follows:

| | | Number of shares | |
|---------------------------------------|----------------------------|---------------------------|---------------------------|
| | | \$0.01 Common Stock | \$0.01 Common Stock |
| | | 31 December 2001 | 30 September 2000 |
| P A Chrimes | | 261 | - |
| C Gransby | | 707 | 347 |
| W Kett | | - | - |
| J Verkruysse | Appointed 5 March 2001 | - | - |
| Directors resigned during the period: | | | |
| J E Morgan | Resigned 1 February 2001 | | |
| S D Mead | Resigned 5 March 2001 | | |
| J C S Marler | Resigned 22 June 2001 | | |
| M S E Underwood | Resigned 30 June 2001 | | |
| G D Glass | Resigned 28 September 2001 | | |

Details of directors' options over shares in the ultimate parent company are given in note 16 of the financial statements.

No director held any interest in the shares of the company during the period.

E*TRADE UK LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 period 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 maintaining 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.

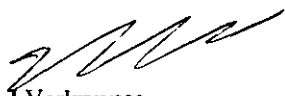
CHARITABLE CONTRIBUTIONS

During the period, the company made charitable contributions totalling £3,040. (2000: £1,426)

AUDITORS

Deloitte & Touche 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:



J Verkrusse
Director

Date: 28 March 2002

E*TRADE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF E*TRADE UK LIMITED

We have audited the financial statements of E*TRADE UK Limited for the 15 month period ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 as to whether 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 of the state of affairs of the company as at 31 December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants
Registered Auditors
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

Date: 23 March 2002

E*TRADE UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

| | Notes | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|---|-------|---|--|
| TURNOVER | | 5,332,467 | 4,853,509 |
| Net operating expenses | | (13,764,559) | (13,177,037) |
| | | (8,432,092) | (8,323,528) |
| Other operating income | | 1,305,000 | 1,812,200 |
| OPERATING LOSS | 2 | (7,127,092) | (6,511,328) |
| Other interest receivable and similar income | 3 | 310,541 | 240,604 |
| Interest payable and similar charges | 4 | (22,667) | (45,656) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (6,839,218) | (6,316,380) |
| Tax on loss on ordinary activities | 7 | - | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND TRANSFERRED TO RESERVES | 18 | (6,839,218) | (6,316,380) |

Continuing operations

All amounts relate to continuing activities.

Total recognised gains and losses

The company has no recognised gains or losses other than the losses for the above periods and consequently no statement of recognised gains and losses has been prepared.


The notes on pages 8 to 16 form part of these financial statements.

E*TRADE UK LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

| | | 31 December 2001 | | | 30 September 2000 |
|--|-------|--------------------|---------------------|---------------------|--------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 581,992 | | 1,892,849 |
| Investments | 9 | | 2 | | 2 |
| | | | <u>581,994</u> | | <u>1,892,851</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 2,459,701 | | 10,991,435 | |
| Investments | 11 | - | | 23,657 | |
| Cash at bank and in hand | | <u>6,800,447</u> | | <u>5,691,305</u> | |
| | | 9,260,148 | | 16,706,397 | |
| CREDITORS: amounts falling due within one year | 13 | <u>(5,796,003)</u> | | <u>(12,313,891)</u> | |
| NET CURRENT ASSETS | | | 3,464,145 | | 4,392,506 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>4,046,139</u> | | <u>6,285,357</u> |
| CREDITORS: amounts falling due after more than one year | 14 | | (1,700,000) | | - |
| PROVISIONS FOR LIABILITIES AND CHARGES | 15 | | <u>(400,000)</u> | | - |
| NET ASSETS | | | <u>1,946,139</u> | | <u>6,285,357</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 16 | | 62,884 | | 60,008 |
| Share premium account | 17 | | 16,159,089 | | 13,661,965 |
| Profit and loss account | 18 | | <u>(14,275,834)</u> | | <u>(7,436,616)</u> |
| TOTAL SHAREHOLDERS' FUNDS | 19 | | <u>1,946,139</u> | | <u>6,285,357</u> |

Approved by the board of directors on 28 March 2002 and signed on its behalf by:


J Verkruijsse
Director

The notes on pages 8 to 16 form part of these financial statements.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards.

Going concern

The financial statements have been prepared on a going concern basis. The directors consider that it is appropriate to adopt the going concern basis of accounting based on the support received to date from the ultimate parent company, E*TRADE Group, Inc. which is evidenced by the subordinated loan received during the year and the increase in share capital after the year end as disclosed in note 23.

Consolidation

The company is exempt from preparing group accounts as it is a wholly owned subsidiary of E*TRADE UK (Holdings) Limited and its results are included in the group accounts prepared by that company.

Cash flow

As permitted by Financial Reporting Standard No. 1 (Revised 1996), the company is not required to produce a cash flow statement as it is a wholly-owned subsidiary of E*TRADE Group, Inc.

Turnover

Turnover comprises brokerage commission, management charges, fees and subscriptions stated net of value added tax, and derives wholly from the United Kingdom.

Brokerage commission is recognised when clients' instructions have been fully met.

Balances with clients and counterparties

In accordance with market practice certain balances with clients, Stock Exchange member firms and settlement offices are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

Fixed Assets and systems development costs

Tangible fixed assets, including external costs of systems software and related expenditure on the development of electronic dealing systems and websites, are capitalised at cost.

Internal systems development costs, including attributable wages and consultancy fees, are charged to the profit and loss account in the period in which they are incurred.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

| | |
|-----------------------|----------------------------|
| Computer equipment | Straight line over 3 years |
| Fixtures and fittings | 20% on cost |
| Systems software | Straight line over 3 years |

Current Asset Investments

Current asset investments are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

1. STATEMENT OF ACCOUNTING POLICIES - (continued)

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 rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the year.

Operating leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Pension costs

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

Related party transactions

As a wholly owned subsidiary of E*TRADE Group, Inc. whose accounts are publicly available from 4500 Bohannon Drive, Menlo Park, CA 94025, USA, the company has taken advantage of the exemptions conferred by Financial Reporting Standard No. 8, regarding the disclosure of related party transactions.

Client Money

The company holds money on behalf of clients in accordance with the Conduct of Business Rules of the Financial Services Authority. This client money represents balances which are not held in respect of the settlement of transactions, and is therefore not included in the balance sheet.

2. OPERATING LOSS

Operating loss is stated

| | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|---|---|--|
| After charging: | | |
| Depreciation of owned fixed assets | 1,067,144 | 836,632 |
| Loss on disposal of tangible assets | 74,731 | 91,280 |
| Auditors' remuneration | 34,913 | 60,000 |
| Non-audit service remuneration paid to auditors | 76,868 | - |
| Operating lease rentals | | |
| Land and buildings | 190,993 | 177,488 |
| Restructuring Charges | 1,903,446 | - |
| | <u>1,305,000</u> | <u>1,595,000</u> |
| After crediting: | | |
| Gain on disposal of LSE shares | <u>1,305,000</u> | <u>1,595,000</u> |

The Restructuring Charges arise from the decision taken in 2001 to consolidate E*TRADE's retail and institutional activities in the UK into new premises in 2002. The charge includes the write-down of tangible fixed assets, costs of vacating existing premises, personnel costs and associated advisory fees.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|--|---|--|
| Interest received and receivable: | | |
| Bank interest | <u>310,541</u> | <u>240,604</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1 October 2000 to 31 December 2001 | 1 April 1999 to 30 September 2000 |
|----------------|---|--|
| Other interest | <u>22,667</u> | <u>45,656</u> |

5. INFORMATION ON DIRECTORS AND EMPLOYEES

| | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|-----------------------|---|--|
| Staff costs | | |
| Wages and salaries | 2,793,800 | 3,375,021 |
| Social security costs | 305,152 | 273,843 |
| Other pension costs | 46,328 | 25,560 |
| Other costs | 126,059 | - |
| | <u>3,271,339</u> | <u>3,674,424</u> |

| | 1 October 2000 to 31 December 2001 No. | 1 April 1999 to 30 September 2000 No. |
|---|---|--|
| The average number of employees during the period was made up as follows: | | |
| Administration and management | <u>63</u> | <u>63</u> |

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)

| | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|--|---|--|
| Directors' emoluments | | |
| Emoluments | 513,787 | 764,589 |
| Compensation for loss of office | 126,059 | - |
| Pension contributions to money purchase (defined contribution) schemes | 9,830 | 4,557 |
| | <u>649,676</u> | <u>769,146</u> |

| | 1 October 2000 to 31 December 2001 No. | 1 April 1999 to 30 September 2000 No. |
|--|---|--|
| During the period the following number of directors accrued benefits under money purchase (defined contribution) pension schemes | <u>7</u> | <u>5</u> |

| | 1 October 2000 to 31 December 2001 £ | 1 April 1999 to 30 September 2000 £ |
|--|---|--|
| Details of highest paid director's emoluments | | |
| Emoluments | <u>167,250</u> | <u>189,787</u> |

During the period, amounts totalling £67,300 (2000 - £35,280) were paid by a fellow group undertaking, E*TRADE Institutional Securities Limited, to certain directors for their services as directors of E*TRADE UK Limited.

Directors are entitled to deal in securities through the company in accordance with the personal account dealing rules. These provide that directors receive the same terms as clients except that they are entitled to reduced commission rates. There were no other transactions disclosable under FRS8 'Related Party Disclosures'.

6. PENSION COSTS

Money purchase (defined contribution) pension scheme

The company operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £46,328 (2000: £25,560).

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no liability to corporation tax in the period, due to losses incurred.

8. TANGIBLE FIXED ASSETS

| | Computer equipment £ | Fixtures and fittings £ | Systems software £ | Total £ |
|------------------------|----------------------------|-------------------------------|--------------------------|-------------|
| Cost: | | | | |
| At 1 October 2000 | 1,204,270 | 720,558 | 1,199,352 | 3,124,180 |
| Additions | 298,701 | 19,817 | 219,993 | 538,511 |
| Disposals | (839,036) | (716,102) | (553,884) | (2,109,022) |
| At 31 December 2001 | 663,935 | 24,273 | 865,461 | 1,553,669 |
| Depreciation: | | | | |
| At 1 October 2000 | 433,005 | 200,570 | 597,756 | 1,231,331 |
| Charge for period | 424,147 | 256,404 | 386,593 | 1,067,144 |
| On disposals | (520,418) | (443,000) | (363,380) | (1,326,798) |
| At 31 December 2001 | 336,734 | 13,974 | 620,969 | 971,677 |
| Net book value: | | | | |
| At 31 December 2001 | 327,201 | 10,299 | 244,492 | 581,992 |
| At 30 September 2000 | 771,265 | 519,988 | 601,596 | 1,892,849 |

9. INVESTMENTS

Cost or valuation

| | | |
|-----------------------|--|------------------------------------|
| | At 1 October 2000 and at 31 December 2001 £ | |
| Shares: | | |
| Group undertakings | | 2 |
| | | |
| | At 31 December 2001 £ | At 1 October 2000 £ |
| Net book value | | |
| Shares: | | |
| Group undertakings | 2 | 2 |

The investment represents 100% of the ordinary share capital of E*TRADE UK Nominees Limited, a company incorporated in Great Britain. The company does not trade and acts as a nominee to hold securities on behalf of clients.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

10. DEBTORS

| | 2001 £ | 2000 £ |
|------------------------------------|------------------|-------------------|
| Trade debtors | 1,940,344 | 8,420,202 |
| Amounts owed by group undertakings | 140,638 | 1,734,707 |
| Other debtors | 203,193 | 398,805 |
| Prepayments and accrued income | 175,526 | 437,721 |
| | <u>2,459,701</u> | <u>10,991,435</u> |

11. CURRENT ASSET INVESTMENTS

| | 2001 £ | 2000 £ |
|--------------------|-----------|-----------|
| Listed investments | - | 23,657 |

12. CASH AT BANK AND IN HAND

At 31 December 2001 the company held £29,989,142 (30 September 2000 - £25,676,523) of client monies on behalf of clients in accordance with Conduct of Business Rules of the Financial Services Authority.

13. CREDITORS: amounts falling due within one year

| | 2001 £ | 2000 £ |
|---------------------------------------|------------------|-------------------|
| Trade creditors | 2,298,948 | 8,756,630 |
| Amounts owed to group undertakings | 1,191,047 | 1,053,973 |
| Other taxes and social security costs | 793,656 | 570,704 |
| Other creditors | 155,767 | 265,904 |
| Accruals and deferred income | 1,356,585 | 1,666,680 |
| | <u>5,796,003</u> | <u>12,313,891</u> |

14. CREDITORS: amounts falling due after more than one year

| | 2001 £ | 2000 £ |
|------------------------------------|------------------|-----------|
| Amounts owed to group undertakings | <u>1,700,000</u> | - |

The subordinated loan from E*TRADE Group, Inc. is repayable in full on 16 November 2003.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

15. PROVISIONS FOR LIABILITIES AND CHARGES

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| Restructuring charges | | |
| Increase during the period | 400,000 | - |
| Balance at 31 December 2001 | 400,000 | - |
| Total provision for liabilities and charges | 400,000 | - |

At 31 December 2001 there was a provision of £400,000 relating to restructuring which was expected to be expended in the third quarter of 2002.

16. SHARE CAPITAL

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| Authorised: | | |
| Equity interests: | | |
| 25,000,000 Ordinary shares of 1p each | 250,000 | 250,000 |
| Allotted, called up and fully paid: | | |
| Equity interests: | | |
| 6,288,436 Ordinary shares of 1p each (2000: 6,000,839 Ordinary shares of 1p each) | 62,884 | 60,008 |

During the period a further 287,597 ordinary shares of 1p each were allotted for a total consideration of £2,530,000 to provide additional regulatory capital.

At 31 December 2001 the directors held the following share options in the ultimate parent company, E*TRADE Group, Inc:-

| | At 31 December 2001 | Exercisable |
|---------------|---------------------|-------------|
| J. Verkruysse | 70,000 | 6,250 |
| P.A.Chrimes | 10,800 | 2,700 |
| W. Kett | 3,000 | 1,350 |
| C. Gransby | 15,448 | 6,468 |

The options are exercisable up to and including the ninth anniversary of the date of the agreements falling in financial periods between 1 August 1999 to 30 September 2010.

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

17. SHARE PREMIUM ACCOUNT

| | 2001 £ | 2000 £ |
|--|-------------------|-------------------|
| Equity interests: | | |
| At beginning of period | 13,661,965 | - |
| Premium on shares issued during the period | 2,497,124 | 13,661,965 |
| At end of period | <u>16,159,089</u> | <u>13,661,965</u> |

18. PROFIT AND LOSS ACCOUNT

| | 2001 £ | 2000 £ |
|------------------------|---------------------|--------------------|
| At beginning of period | (7,436,616) | (1,120,236) |
| Loss for the period | (6,839,218) | (6,316,380) |
| At end of period | <u>(14,275,834)</u> | <u>(7,436,616)</u> |

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2001 £ | 2000 £ |
|---|------------------|------------------|
| Loss for the period | (6,839,218) | (6,316,380) |
| New share capital subscribed | 2,876 | 60,006 |
| Premium on shares issued | 2,497,124 | 13,661,965 |
| Net (reduction) / addition to shareholders' funds | (4,339,218) | 7,405,591 |
| Opening shareholders' funds | 6,285,357 | (1,120,234) |
| Closing shareholders' funds | <u>1,946,139</u> | <u>6,285,357</u> |
| Represented by:- | | |
| Equity interests | <u>1,946,139</u> | <u>6,285,357</u> |

20. OPERATING LEASE COMMITMENTS

At period end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

| | Land and buildings | | Other | |
|--------------------------|--------------------|----------------|---------------|---------------|
| | 2001 £ | 2000 £ | 2001 £ | 2000 £ |
| Leases which expire: | | | | |
| Within two to five years | 47,000 | 47,000 | 50,574 | 50,574 |
| After five years | 72,090 | 72,090 | - | - |
| | <u>119,090</u> | <u>119,090</u> | <u>50,574</u> | <u>50,574</u> |

E*TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2000 TO 31 DECEMBER 2001

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of E*TRADE UK (Holdings) Limited which heads the smallest group for which consolidated accounts are produced. The ultimate parent company and controlling party is E*TRADE Group, Inc., a company incorporated in USA whose address is given in note 1.

22. POST BALANCE SHEET EVENTS

On 25 March 2002 a further 57,453 ordinary shares of 1p each were allotted for a total consideration of £500,000 to provide additional regulatory capital.