

E*TRADE UK LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

REGISTERED NUMBER 3598221

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E*TRADE UK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

Contents	Pages
Company information	1
Directors' report	2
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 9

E*TRADE UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2006**

DIRECTORS

P A Chrimes
R D Taylor
J Verkruysse

SECRETARY

P A Chrimes

REGISTERED OFFICE

42nd Floor
One Canada Square
Canary Wharf
London
E14 5AA

BUSINESS ADDRESS

42nd Floor
One Canada Square
Canary Wharf
London
E14 5AA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

E*TRADE UK LIMITED

DIRECTORS' REPORT

The directors present their report with the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The company has not traded since 1 September 2002

REVIEW OF THE BUSINESS

The net loss of the company was £26 (2005 £133)

DIVIDENDS

No dividends were paid during the year (2005 £ nil) and no recommendation is made as to dividends

DIRECTORS AND THEIR INTERESTS

The names of directors who held office throughout the year were

P A Chrimes
J L Whiteford (resigned on 5 July 2006)
R D Taylor
J Verkruysse (appointed on 14 July 2006)

RISK MANAGEMENT

As the company is a non-trading company, the directors have considered risk management and are of the opinion that the company is not exposed to significant risk associated with its financial instruments

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law & regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have chosen to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK 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 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

E*TRADE UK LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

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

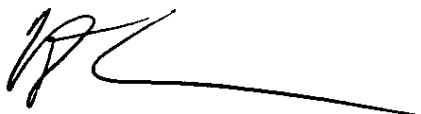
(i) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(ii) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA 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

A handwritten signature in black ink, appearing to be 'P A Chrimes', followed by a long horizontal line extending to the right.

P A Chrimes
Director

5 September 2007

We have audited the financial statements of E*TRADE UK Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 audit opinion

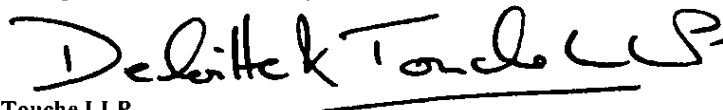
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its loss 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

5 September 2007

E*TRADE UK LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Year ended 31 December 2006 £	Year ended 31 December 2005 £
OTHER			
Foreign exchange loss		(26)	(133)
OPERATING LOSS	2	<u>(26)</u>	<u>(133)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(26)</u>	<u>(133)</u>
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND TRANSFERRED FROM RESERVES	9	<u><u>(26)</u></u>	<u><u>(133)</u></u>

Total recognised gains and losses

The company has no recognised gains or losses other than the loss for the current period and consequently no statement of recognised gains and losses has been prepared

The notes on pages 7 to 9 form part of these financial statements

E*TRADE UK LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Notes	31 December 2006		31 December 2005	
		£	£	£	£
FIXED ASSETS					
Investments	5	<u>3,188,514</u>	3,188,514	<u>3,188,514</u>	3,188,514
CURRENT ASSETS					
Debtors	6	<u>1,048,683</u>		<u>1,048,709</u>	
NET CURRENT ASSETS			<u>1,048,683</u>		<u>1,048,709</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,237,197</u>		<u>4,237,223</u>
NET ASSETS			<u>4,237,197</u>		<u>4,237,223</u>
CAPITAL AND RESERVES					
Called up share capital	7		64,609		64,609
Share premium account	8		17,657,364		17,657,364
Profit and loss account	9		<u>(13,484,776)</u>		<u>(13,484,750)</u>
SHAREHOLDERS' FUNDS	10		<u>4,237,197</u>		<u>4,237,223</u>

Approved by the Board of directors and authorised for issue on 5 September 2007 and signed on its behalf by



P A Chrimes
Director

The notes on pages 7 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and are in accordance with all applicable United Kingdom laws and Accounting Standards

Cash flow

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

Turnover

Turnover comprises brokerage commission, management charges, fees and subscriptions stated net of value added tax, and derives substantially from the United Kingdom. Brokerage commission is recognised when clients' instructions have been fully met

Investments

Investments held as fixed assets are stated at cost less provisions for impairment. The investment is wholly owned by the smallest group for which consolidated accounts are produced and whose accounts are publicly available from the business address given on page 1

Foreign currencies

Monetary 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 taken into the profit and loss account for the year

Related party transactions

As a wholly-owned subsidiary of E*TRADE Financial Corporation whose accounts are publicly available from 135 East 57th Street, New York, NY 10022, USA, the company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8, regarding the disclosure of related party transactions. There were no other related party transactions or balances requiring disclosure

2 OPERATING LOSS

Year ended 31 December 2006 £	Year ended 31 December 2005 £
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The operating loss was arrived at after charging
Auditor's Remuneration - audit fees

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The audit fee of £2,000 (2005 £2,000) for the current and prior year has been borne by E*Trade Securities Limited, a fellow group company

3 INFORMATION ON DIRECTORS AND EMPLOYEES

There are no employees (2005 nil) and no remuneration has been paid to the directors (2005 £nil)

There were no transactions disclosable under FRS 8 'Related Party Disclosures'

E*TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

4 TAX ON LOSS ON ORDINARY ACTIVITIES

Factors affecting taxation charge for the year

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Loss on ordinary activities before taxation	(26)	(133)
Tax at 30% thereon	8	40
Effects of		
Tax losses carried forward	(8)	(40)
Current tax charge for the year	<u>-</u>	<u>-</u>

5 FIXED ASSET INVESTMENTS

Shares in associate

	Associate £	31 December 2006 Total £	31 December 2005 Total £
Cost			
At 1 January and 31 December	<u>3,188,514</u>	<u>3,188,514</u>	<u>3,188,514</u>

Set out below is the company's associate

Name	Country of incorporation	Class of shares	Proportion of shares/voting rights
E*TRADE Securities Limited	Great Britain	Ordinary	24 22%

E*TRADE Securities Limited's principal operations are located in the United Kingdom where it is a licensed broker of equity and fixed income securities, foreign exchange and derivative instruments

6 DEBTORS

	31 December 2006 £	31 December 2005 £
Amounts owed by group undertakings	<u>1,048,683</u>	<u>1,048,709</u>

E*TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

7 SHARE CAPITAL

	31 December 2006 £	31 December 2005 £
Authorised		
25,000,000 Ordinary shares of 1p each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
6,460,928 Ordinary shares of 1p each	<u>64,609</u>	<u>64,609</u>

8 SHARE PREMIUM ACCOUNT

	31 December 2006 £	31 December 2005 £
As at 1 January and 31 December	<u>17,657,364</u>	<u>17,657,364</u>

9 PROFIT AND LOSS ACCOUNT

	31 December 2006 £	31 December 2005 £
As at 1 January	(13,484,750)	(13,484,617)
Loss for the year	<u>(26)</u>	<u>(133)</u>
As at 31 December	<u>(13,484,776)</u>	<u>(13,484,750)</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2006 £	31 December 2005 £
Loss for the period	<u>(26)</u>	<u>(133)</u>
Net reduction in shareholders' funds	(26)	(133)
Opening shareholders' funds	<u>4,237,223</u>	<u>4,237,356</u>
Closing shareholders' funds	<u>4,237,197</u>	<u>4,237,223</u>

11 ULTIMATE PARENT COMPANY

The company is a subsidiary of E*TRADE UK (Holdings) Limited, which heads the smallest group for which consolidated accounts are produced, and whose accounts are publicly available from the business address given on page 1. The ultimate parent company and controlling entity of E*Trade UK Limited, and the parent company of the largest group into which this company is consolidated is E*TRADE Financial Corporation, a company incorporated in the USA whose address is given in note 1.