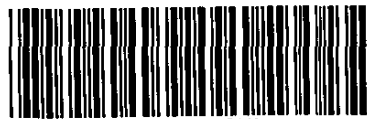


E*TRADE UK LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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REGISTERED NUMBER 3598221

E*TRADE UK LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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E*TRADE UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010**

DIRECTORS

P A Chrimes
N Novakovic
M L Ellingson

SECRETARY

P A Chrimes

REGISTERED OFFICE

4th Floor, Sun Court
66-67 Cornhill
London
EC3V 3NB

BUSINESS ADDRESS

4th Floor, Sun Court
66-67 Cornhill
London
EC3V 3NB

AUDITORS

Deloitte LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The company has not traded since 1 September 2002

REVIEW OF THE BUSINESS

The company did not trade during the year

The company made a loss of £994,630 (2009 £4,385,997) due to an impairment review carried out on its investments

DIVIDENDS

No dividends were paid during the year (2009 £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
N Novakovic
M L Ellingson

SHARE CAPITAL

During the year ended 31 December 2010, no shares were issued by the Company

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

GOING CONCERN BASIS

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 UK 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

DIRECTORS' REPORT (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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 / 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 that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor 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



P A Chrimes
Director
5 May 2011

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

We have audited the financial statements of E*TRADE UK Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Hardy, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

5 May 2011

E*TRADE UK LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Operating expenses			
Exceptional item impairment loss		(994,630)	(4,386,002)
Foreign exchange gain		-	5
OPERATING LOSS	2	<u>(994,630)</u>	<u>(4,385,997)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(994,630)</u>	<u>(4,385,997)</u>
Taxation	4	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u><u>(994,630)</u></u>	<u><u>(4,385,997)</u></u>

All amounts relate to continuing activities

The company has no recognised gains or losses other than the loss for the current and prior year. Consequently no statement of recognised gains and losses has been presented.

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

E*TRADE UK LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Notes	2010 £	2009 £
FIXED ASSETS			
Investments	5	1,303,071	1,249,018
CURRENT ASSETS			
Debtors	6	-	1,048,683
NET ASSETS		<u>1,303,071</u>	<u>2,297,701</u>
CAPITAL AND RESERVES			
Share capital	7	67,324	67,324
Share premium account	8	20,101,125	20,101,125
Profit and loss account	9	<u>(18,865,378)</u>	<u>(17,870,748)</u>
SHAREHOLDERS' FUNDS	10	<u>1,303,071</u>	<u>2,297,701</u>

Approved by the Board of directors and authorised for issue on 5 May 2011 and signed on its behalf by



P A Chrimes
Director
5 May 2011

Company registered number 3598221

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements

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 an indirect wholly-owned subsidiary of E*TRADE Financial Corporation whose accounts are publicly available from 1271 Avenue of the Americas, 14th Floor, New York, NY 10020-1302

Investments

Investments held as fixed assets are stated at cost less provisions for impairment

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, 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)/PROFIT

The audit fee of £2,000 (2009 £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 (2009 nil) and no remuneration has been paid to the directors (2009 £nil)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

4 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**Factors affecting taxation charge for the year**

	2010 £	2009 £
Loss on ordinary activities before taxation	<u>(994,630)</u>	<u>(4,385,997)</u>
Tax at 28% (2009 28%) thereon	(278,496)	(1,228,079)
Effects of:		
Non-deductible expenses	278,496	1,228,079
Current tax charge for the year	<u><u>-</u></u>	<u><u>-</u></u>

5 FIXED ASSET INVESTMENTS**Shares in Associate**

	2010 Total £	2009 Total £
Cost		
At 1 January	5,635,015	4,370,831
Additions	<u>1,048,683</u>	<u>1,264,184</u>
At 31 December	<u><u>6,683,698</u></u>	<u><u>5,635,015</u></u>
Provision for impairment		
At 1 January	4,385,997	-
Additions	<u>994,630</u>	<u>4,385,997</u>
At 31 December	<u><u>5,380,627</u></u>	<u><u>4,385,997</u></u>
Net book value	<u><u>1,303,071</u></u>	<u><u>1,249,018</u></u>

Name	Country of incorporation	Class of shares	Proportion of shares/voting rights
E*TRADE Securities Limited (the "Associate")	Great Britain	Ordinary	23.77%

The Associate's principal operations are located in the United Kingdom where it is a licensed broker of equity securities, focusing on retail customers trading in US securities

The impairment charge recognised in the year relates to the Company's interest in the Associate

During the year, the Company swapped the receivable from its Associate (Note 6) for shares in the latter

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

6 DEBTORS

	2010 £	2009 £
Amounts owed by Associate	<u>-</u>	<u>1,048,683</u>

7 SHARE CAPITAL

	2010 £	2009 £
Authorised		
25,000,000 (2008 25,000,000) Ordinary shares of 1p each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid:		
6,732,457 Ordinary shares of 1p each	<u>67,324</u>	<u>67,324</u>

8 SHARE PREMIUM ACCOUNT

	2010 £	2009 £
As at 1 January	20,101,125	18,838,344
Additions	<u>-</u>	<u>1,262,781</u>
	<u>20,101,125</u>	<u>20,101,125</u>

9 PROFIT AND LOSS ACCOUNT

	2010 £	2009 £
As at 1 January	(17,870,748)	(13,484,751)
Loss for the year	(994,630)	(4,385,997)
As at 31 December	<u>(18,865,378)</u>	<u>(17,870,748)</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2,010 £	2,009 £
Loss for the year	(994,630)	(4,385,997)
New shares issued	<u>-</u>	<u>1,264,184</u>
Net (decrease)/increase in shareholders' funds	(994,630)	(3,121,813)
Opening shareholders' funds	<u>2,297,701</u>	<u>5,419,514</u>
Closing shareholders' funds	<u>1,303,071</u>	<u>2,297,701</u>

11 ULTIMATE PARENT COMPANY

The ultimate parent company and 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