

Company Registration No. 3958476

Interactive Brokers (UK) Limited

Report and Financial Statements

31 December 2004



Interactive Brokers (UK) Limited

Report and financial statements 2004

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Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chait

Secretary

Paul Brody

Registered office

10 Arthur Street
London EC4R 9AY

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 (UK) Limited

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 2004.

Activities and review of developments

Interactive Brokers (UK) Limited offers execution and clearing broking services in equity and derivative products to European private clients. Interactive Brokers (UK) Limited has been authorised to carry out investment business by the Financial Services Authority since 6 February 2003.

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.

The company continues to expand and at year-end the company had daily client trades approaching 22,000 (2003: 18,000).

Results and dividends

The directors report a profit after taxation of £974,835 for the year ended 31 December 2004 (2003: £212,810). No dividends are proposed (2003 - £nil).

Future prospects

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

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

31 March 2005

Interactive Brokers (UK) Limited

Statement of 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 year 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 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 (UK) Limited

We have audited the financial statements of Interactive Brokers (UK) Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

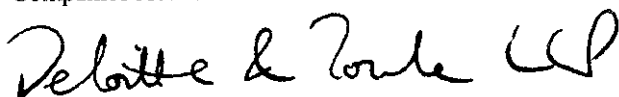
Basis of audit opinion

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 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

31 March 2005

Interactive Brokers (UK) Limited

Profit and loss account Year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	1	3,727,065	2,245,607
Administrative expenses	2,3	(3,444,776)	(2,527,428)
Operating profit/(loss)		<u>282,289</u>	<u>(281,821)</u>
Interest receivable	5	1,729,270	992,126
Interest payable	6	(630,198)	(406,411)
Profit on ordinary activities before taxation		<u>1,381,361</u>	<u>303,894</u>
Tax on profit on ordinary activities	7	(406,526)	(91,084)
Profit on ordinary activities after taxation and profit for the financial year		<u><u>974,835</u></u>	<u><u>212,810</u></u>

The company had no recognised gains or losses other than the profit for the current and preceding years.

All activities derive from continuing operations.

Interactive Brokers (UK) Limited

Balance sheet

As at 31 December 2004

	Note	2004 £	Restated 2003 £
Fixed assets			
Tangible assets	8	3,667	5,055
Investments	9	297,619	297,619
		<u>301,286</u>	<u>302,674</u>
Current assets			
Debtors	10	22,200,155	16,706,706
Investments	11	12,162,209	24,149,933
Prepayments		20,443	15,591
Cash at bank and in hand		1,444,256	638,362
		<u>35,827,063</u>	<u>41,510,592</u>
Creditors: amounts falling due within one year	12	<u>(20,832,313)</u>	<u>(29,491,986)</u>
Net current assets		<u>14,994,750</u>	<u>12,018,606</u>
Total assets less current Liabilities		15,296,036	12,321,280
Provisions for liabilities and charges	13	<u>(90)</u>	<u>(169)</u>
Net assets		<u><u>15,295,946</u></u>	<u><u>12,321,111</u></u>
Capital and reserves			
Called up share capital	14	79,332	79,332
Capital contribution	15	14,220,668	12,220,668
Profit and loss account	15	995,946	21,111
Equity shareholders' funds	15	<u><u>15,295,946</u></u>	<u><u>12,321,111</u></u>

The financial statements were approved by the Board of Directors on 31 March 2005.

Signed on behalf of the Board of Directors



Yograj Aggarwal

Director

Interactive Brokers (UK) Limited

Notes to the accounts

Year ended 31 December 2004

1. Accounting policies

The financial statements are prepared under the historic cost convention as modified by the inclusion of current assets investments at market value and in accordance with applicable United Kingdom law and accounting standards.

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:

Computer equipment	5 years
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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 (UK) Limited

Notes to the accounts Year ended 31 December 2004

2. Administrative expenses

Administrative expenses include:

	2004 £	2003 £
Clearing fees	536,141	336,508
Foreign exchange losses	31,854	27,448

	2004 £	2003 £
Operating profit is arrived at after charging :-		
Depreciation	1,388	1,388
Auditors' remuneration in respect of:		
Audit services	17,870	15,863
Other services	-	-

3. Employee Information

	2004 £	2003 £
Staff costs:		
Wages and salaries	690,627	794,070
Social security costs	76,915	76,702
	767,542	870,772

The average monthly number of employees in the year was eight (2003: ten).

4. Directors' emoluments

	2004 £	2003 £
Emoluments	247,850	235,620

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

	2004 £	2003 £
Emoluments	126,000	119,128

Interactive Brokers (UK) Limited

Notes to the accounts Year ended 31 December 2004

5. Interest receivable

	2004 £	2003 £
Bank interest	397,698	211,115
Coupon interest	688,163	446,483
Intercompany interest receivable	643,409	334,528
	<u>1,729,270</u>	<u>992,126</u>

6. Interest payable

	2004 £	2003 £
Interest expense	6,047	7,593
Intercompany interest payable	624,151	398,818
	<u>630,198</u>	<u>406,411</u>

7. Tax charge on profit on ordinary activities

	2004 £	2003 £
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2003: 30%)	(406,605)	(90,915)
	(406,605)	(90,915)
Deferred Tax:		
Timing differences	79	(32)
Adjustment in respect of prior years	-	(137)
	<u>(406,526)</u>	<u>(91,084)</u>

Interactive Brokers (UK) Limited

Notes to the accounts Year ended 31 December 2004

7. Tax on profit on ordinary activities (continued)

	2004 £	2003 £
Factors affecting tax charge for the current period		
Profit on ordinary activities before tax	<u>1,381,361</u>	<u>303,894</u>
Tax at 30% thereon:	(414,408)	(91,168)
Expenses not deductible for tax purposes	(68)	(577)
Capital allowances in excess of depreciation	(79)	31
Other deferred tax movements	7,950	-
UK dividend income	-	799
Adjustment in respect of prior years		(137)
Current tax for period	<u>(406,605)</u>	<u>(90,915)</u>

Factors that may effect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £41,447 (2003 - £51,458). The asset would be recovered if the company generated trading profits in future accounting periods.

8. Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2004	6,939
Additions	-
Disposals	-
At 31 December 2004	<u>6,939</u>
Depreciation	
At 1 January 2004	1,884
Charge for the year	1,388
Disposals	-
At 31 December 2004	<u>3,272</u>
Net book value	
At 31 December 2004	<u>3,667</u>
At 31 December 2003	<u>5,055</u>

Interactive Brokers (UK) Limited

Notes to the accounts Year ended 31 December 2004

9. Fixed asset investments

	£
At 1 January 2004	297,619
Additions in the year	-
At 31 December 2004	<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 2004 was not less than the net book value shown in the financial statements.

10. Debtors

	2004 £	Restated 2003 £
Trade debtors	2,132,325	1,923,456
Amounts owed from group undertakings	12,985,959	14,434,096
Other debtors	7,081,871	349,154
	<u>22,200,155</u>	<u>16,706,706</u>

Adjustment to comparatives

In 2003, client assets and liabilities were recognised in the Company's balance sheet. In the current year, these amounts are not recognised but disclosed by way of a note (see note 17).

In accordance with Schedule 4(4) of the Companies Act 1985, the comparative figures have been adjusted. The effect of the change has been to reduce the debtor balance at 31 December 2003 by £78,318,161. The comparative creditor balance has also been reduced by this amount.

There has been no change in shareholders' funds as a result of this change.

11. Current asset investments

	2004 £	2003 £
German Government bonds	12,162,209	24,149,933
	<u>12,162,209</u>	<u>24,149,933</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.

Interactive Brokers (UK) Limited

Notes to the accounts

Year ended 31 December 2004

12. Creditors: amounts falling due within one year

	2004	<i>Restated</i> 2003
	£	£
Bank overdraft	-	289
Amounts owed to group undertakings	19,926,556	29,050,215
UK Corporation Tax	282,692	90,915
Accruals and deferred income	623,065	350,568
	<u>20,832,313</u>	<u>29,491,986</u>

Comparative amounts have been restated in accordance with Schedule 4(4) of the Companies Act 1985. The change and its effects have been described in note 10.

13. Provisions for liabilities and charges

Movement on deferred taxation balance in the period:

	Deferred taxation £
At 1 January 2004	169
Credit to the profit and loss account	(79)
	<u>90</u>
At 31 December 2004	<u>90</u>

14. Share capital

	2004 No.	2003 No.
Authorised:		
A ordinary shares of £1 each	1,100	1,100
B ordinary shares of €1 each	125,000	125,000
	<u>2004</u>	<u>2003</u>
	£	£
Allotted, called up and fully paid:		
700 A ordinary shares of £1 each (2003: 700 A ordinary share of £1 each)	700	700
125,000 B ordinary shares of €1 each (2003: 125,000 B ordinary shares of €1 each)	78,632	78,632
	<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 (UK) Limited

Notes to the accounts

Year ended 31 December 2004

15. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Shareholders' funds as at 1 January	12,321,111	7,108,301
Capital contribution made during the year	2,000,000	5,000,000
Profit for the financial year	974,835	212,810
Shareholders' funds as at 31 December	<u>15,295,946</u>	<u>12,321,111</u>

16. Statement of Movements on reserves

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 2004	12,220,668	21,111	12,241,779
Profit for the financial year	-	974,835	974,835
Capital contribution	2,000,000	-	2,000,000
Balance at 31 December 2004	<u>14,220,668</u>	<u>995,946</u>	<u>15,216,614</u>

During the year, the parent company made a capital contribution of £2,000,000 in cash (2003: £5,000,000). This is intended to provide additional long term working capital for the company.

17. Client money

At 31 December 2004, client money held by the parent company on behalf of the Company's clients amounted to £145,559,693 (2003: £78,318,161).

18. Ultimate parent undertaking and related party disclosures

At 31 December 2004, the parent undertaking of the smallest group of which the company was a member 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 (UK) Limited for the year ended 31 December 2004

We report in respect of Interactive Brokers (UK) 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;

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 United Kingdom Auditing Standards, 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 as at 31 December 2004 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 2004.

Financial resources

We note the correspondence to the FSA dated 31 March 2005 regarding the derecognition of client assets and liabilities and a breach of large exposure limits. Except for the above, in our opinion:

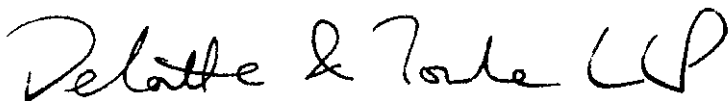
- the firm's statements of financial resources and financial resources requirement as at 31 December 2004 have been properly prepared in accordance with the FSA's rules;
- the firm's financial resources as at 31 December 2004 are sufficient to meet the firm's financial resources requirement at that date; 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

Chartered Accountants & Registered Auditors

Stonecutter Court

1 Stonecutter Street

London

EC4A 4TR

31 March 2004

Interactive Brokers (UK) Limited

Reconciliation between annual audited balance sheet and balance sheets shown in monthly and annual reporting statements as at 31 December 2004

	Fixed assets £'000	Debtors £'000	Cash at bank £'000	Creditors less than one year £'000	Capital contribution £'000	Share capital £000	Profit and loss account £'000
Per monthly reporting statement	302	179,942	1,444	(166,415)	(14,220)	(14,300)	(973)
Adjustment 1		(145,560)		145,560			(23)
Adjustment 2				23			
Per Annual Reporting Statement	302	34,382	1,444	(20,832)	(14,220)	(14,300)	(996)
Adjustment 3	(1)				(1)		
Per audited financial statements	301	34,382	1,444	(20,832)	(14,221)	(14,300)	(996)

Notes

Adjustment 1 relates to derecognition of client assets and liabilities

Adjustment 2 relates to an adjustment in the taxation figures at year end.

Adjustment 3 relates to rounding differences

Interactive Brokers (UK) Limited

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

	£'000
Revenue:	
Turnover	3,727
Interest receivable	1,730
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Total Revenue per Rule 10-73 (2) (a)	5,457
Less:	
Profit before taxation	(1,382)
Bonuses	(97)
Foreign Exchange Losses	(32)
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Relevant annual expenditure	3,946
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Expenditure requirement ($1/4 \times £3,946,000$)	987
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