

E*TRADE GLOBAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

COMPANY REGISTERED NUMBER 4324886

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E*TRADE GLOBAL SERVICES LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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E*TRADE GLOBAL SERVICES LIMITED

COMPANY INFORMATION
AS AT 31 DECEMBER 2009

DIRECTORS

P A Chrimes
N Novakovic
M L Ellingson

SECRETARY

P A Chrimes

REGISTERED OFFICE

Vintners' Place
68 Upper Thames Street
London
EC4V 3BJ

REGISTERED NUMBER

4324886

BUSINESS ADDRESS

Vintners' Place
68 Upper Thames Street
London
EC4V 3BJ

AUDITORS

Deloitte LLP
Chartered Accountants
London

E*TRADE GLOBAL SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of E*TRADE Global Services Limited ('the company') together with the financial statements and auditors' report, for the year ended 31 December 2009

This report has been prepared in accordance with the special provisions relating to small companies under section 415(A) (1) & (2) of the Companies Act 2006

PRINCIPAL ACTIVITIES

The company provides management services to its ultimate parent company and other group companies. No major developments in the business are anticipated.

REVIEW OF THE BUSINESS

The net loss for the year after providing for taxation amounted to £761,600 (2008 profit £78,890). Since the balance sheet date, the Directors have decided to liquidate the company. It is projected that the liquidation will be completed in 2010.

DIVIDENDS

No dividends were paid or declared during the year (2008 £nil) and no recommendation is made as to dividends (2008 £nil).

DIRECTORS AND THEIR INTERESTS

The names of directors who held office during the year and to the date of this report expected as noted, are

P A Chrimes	
M S Klena	(resigned 29 April 2009)
N Novakovic	(appointed 29 April 2009)
M L Ellingson	(appointed 29 April 2009)
R D Taylor	(resigned 30 April 2009)

DIRECTOR'S INDEMNITIES

The parent company has made qualifying third party indemnity provisions for the benefit of the directors of the company which were made in the period and remain in force at the date of this report.

RISK MANAGEMENT AND GOING CONCERN

The company is exposed to a limited degree of credit risk arising from the non-payment of fees invoiced to fellow group entities. The credit risk is managed through monthly reconciliation meetings with other group entities and balances are being paid monthly.

As a consequence of the proposed liquidation of the Company in 2010 as disclosed above and in note 12, the financial statements have been prepared on a basis other than going concern.

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 that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte 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.

E*TRADE GLOBAL SERVICES LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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, 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 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 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.

Approved by the board of directors and signed on behalf of the board



P A Chrimes
Director

20 August 2010

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

We have audited the financial statements of E*TRADE Global Services for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. 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 Chapter 3 of Part 16 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 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 the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB'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 2009 and of its loss 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

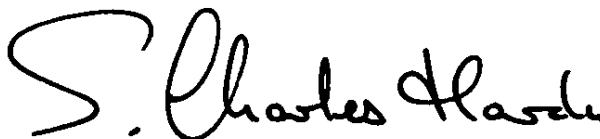
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF E*TRADE
GLOBAL SERVICES LIMITED (continued)**

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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



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

20 August 2010

E*TRADE GLOBAL SERVICES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
TURNOVER		3,113,264	2,975,718
Operating expenses		<u>(3,874,864)</u>	<u>(2,896,828)</u>
OPERATING (LOSS)/PROFIT	2	(761,600)	78,890
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(761,600)</u>	<u>78,890</u>
Tax on (loss)/profit on ordinary activities	5	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAX	10	<u><u>(761,600)</u></u>	<u><u>78,890</u></u>

All amounts relate to discontinued activities (see note 8)

The company has no recognised gains or losses other than the (loss)/profit for the above periods and consequently no statement of recognised gains and losses has been prepared

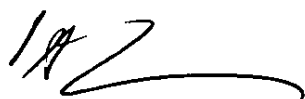
The notes on pages 8 to 11 form part of these financial statements

E*TRADE GLOBAL SERVICES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Notes	31 December 2009 £	31 December 2008 £
CURRENT ASSETS			
Debtors	6	3,224,740	2,181,981
CREDITORS amounts falling due within one year	7	(2,000,195)	(1,041,219)
Provision for restructuring	8	<u>(845,383)</u>	<u>-</u>
NET ASSETS		<u>379,162</u>	<u>1,140,762</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	<u>379,161</u>	<u>1,140,761</u>
SHAREHOLDERS' FUNDS	11	<u>379,162</u>	<u>1,140,762</u>

Approved by the Board of Directors and authorised for issue on 20 August 2010 and signed on its behalf by



P A Chrimes
Director

20 August 2010

The notes on pages 8 to 11 form part of these financial statements

COMPANY REGISTERED NUMBER 4324886

1 STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

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

Cash flow statement

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, whose accounts are publicly available from 135 East 57th Street, New York, NY 10022, USA

Turnover

Turnover, which arises in the United Kingdom, consists of fee income, recognized on an accrual basis, received from the provision of management services to its ultimate parent company and other group companies

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates that have been enacted or substantially enacted by the balance sheet date

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. Deferred tax assets and liabilities are not discounted.

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.

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 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 party related transactions requiring disclosure.

Going concern basis

As stated in note 12, in early 2010 the Directors decided to liquidate the company. As such, the accounts have been drawn up on a basis other than going concern. There are no material adjustments that have arisen as a result of ceasing to apply the going concern basis.

E*TRADE GLOBAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2 OPERATING PROFIT

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Operating profit is stated after charging/(crediting):		
Auditors' remuneration - fees payable for audit of the company's annual accounts	11,179	9,452
Non-audit service fee - PAYE assistance	1,646	3,526
Directors' remuneration	344,905	190,918
Restructuring provision	845,383	-
Foreign exchange gain	(62,429)	(242,897)

3 INFORMATION ON DIRECTORS AND EMPLOYEES

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Staff costs		
Wages and salaries	1,549,705	1,587,559
Social security costs	200,258	260,934
Pension costs	40,725	64,181
	<u>1,790,688</u>	<u>1,912,674</u>

The average number of employees during the period was	No. <u>15</u>	No. <u>18</u>
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	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Directors' emoluments		
Emoluments	344,905	190,918
Pension contributions to money purchase (defined contribution) schemes	-	-
	<u>344,905</u>	<u>190,918</u>

During the period the following number of directors accrued benefits under money purchase (defined contribution) pension schemes	No. <u>-</u>	No. <u>-</u>
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	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Details of highest paid director's emoluments		
Emoluments	220,295	190,918
Pension contributions to money purchase (defined contribution) pension schemes	-	-
	<u>220,295</u>	<u>190,918</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

4 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 £47,727 (2008: £60,001). Contributions totalling £nil (2008: £nil) were payable to the fund at the year end.

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**i) Analysis of tax on (loss)/profit on ordinary activities**

The tax charge on the (loss)/profit on ordinary activities for the year was as follows

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Corporation tax at 28% (2008: 28.5%) on (loss)/profit for the year	-	-
	<u>-</u>	<u>-</u>

ii) Factors affecting taxation charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom: 28% (2008: 28.5%). The differences are explained below

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
(Loss)/profit on ordinary activities before tax	(761,600)	78,890
Corporation tax at 28% (2008: 28.5%) on (loss)/profit for the year	(213,248)	22,484
Effects of		
Expenses not deductible for tax purposes	-	212
Unutilised/(utilised) tax losses	213,248	(22,696)
Current tax charge for the year	<u>-</u>	<u>-</u>

iii) Factors that may affect the future taxation charge

A deferred tax asset has not been recognised in respect of short-term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £213,248 (2008: £nil).

6 DEBTORS

	31 December 2009 £	31 December 2008 £
Amounts owed by group undertakings	3,220,138	2,172,896
Other debtors	4,602	9,085
	<u>3,224,740</u>	<u>2,181,981</u>

E*TRADE GLOBAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

7 CREDITORS amounts falling due within one year

	31 December 2009 £	31 December 2008 £
Amounts owed to group undertakings	1,740,439	739,256
Other taxes and social security costs	97,545	66,121
Other creditors	160,585	207,744
Accruals	1,626	28,098
	<u>2,000,195</u>	<u>1,041,219</u>

8 PROVISION FOR RESTRUCTURING

At 1 January	-	-
Additions	845,383	-
At 31 December	<u>845,383</u>	<u>-</u>

The provision relates to the costs of the group re-organisation and pursuant to the strategic decision on continuing in the retail business but to scale it down by focusing on the line of business of retail customers trading US securities

9 CALLED UP SHARE CAPITAL

	31 December 2009 £	31 December 2008 £
Authorised		
1,000 Ordinary shares of £1	<u>1,000</u>	<u>1 000</u>
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

10 PROFIT AND LOSS ACCOUNT

	31 December 2009 £	31 December 2008 £
As at 1 January	1,140,761	1,061,871
(Loss)/profit for the year	<u>(761,600)</u>	<u>78,890</u>
As at 31 December	<u>379,161</u>	<u>1 140,761</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2009 £	31 December 2008 £
(Loss)/profit for the year	<u>(761,600)</u>	<u>78,890</u>
Net (reduction)/addition to shareholders' funds	(761,600)	78,890
Opening shareholders' funds	<u>1,140,762</u>	<u>1 061,872</u>
Closing shareholders' funds	<u>379,162</u>	<u>1,140,762</u>

12 POST BALANCE SHEET EVENTS

As part of the re-organisation of the group detailed in note 8, the directors decided after the year end to begin to liquidate the company. As such, the accounts have been drawn up on a basis other than going concern.

13 ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party, which heads the largest and smallest group for which consolidated accounts are prepared, is E*TRADE Financial Corporation, a company incorporated in the USA whose address is given in note 1.