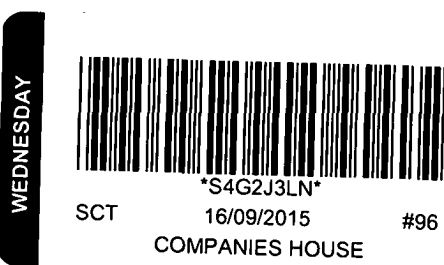


E*TRADE SECURITIES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



REGISTERED NUMBER: 103238 (SCOTLAND)

E*TRADE SECURITIES LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Contents	Pages
Company information	1
Strategic Report	2 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 17

E*TRADE SECURITIES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014**

DIRECTORS

P W Brandow – Chairman
B Van Der Sluis
M Powell

SECRETARY

M Ellingson

REGISTERED OFFICE

115 George Street
4th Floor
Edinburgh
EH2 4JN

BUSINESS ADDRESS

New Broad Street House
35 New Broad Street
London
EC2M 1NH

AUDITOR

Deloitte LLP
London

PRINCIPAL BANKERS

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

E*TRADE SECURITIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company has historically operated as an online stockbroker in the United Kingdom ("UK") to retail clients offering execution only services in the United States of America ("US") equity and fixed income securities, and derivative instruments. The Company's principal operations are located in the UK where it is a limited licence broker authorised and regulated by the Financial Conduct Authority ("FCA"). On 24 October 2012, E*TRADE Financial Corporation (the ultimate parent Company) made the decision to cease operations in the UK. Thereafter, on 10 November 2012, the directors of the Company affirmed the closure of the Company's business and its plan for doing so. Currently, the Company is in the process of winding down with the objective to closing as soon as all regulatory requirements are met. As part of the closure, on 31 March 2015, the Company terminated its revenue sharing agreements with its affiliate, E*TRADE Securities LLC, which will reduce the Company's revenues and associated clearing costs to a de minimis level from 1 April 2015. The financial statements have been prepared on a basis other than of the Company being a going concern.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including business risk, market risk, credit risk, operational risk and liquidity risk. These risks are effectively managed with a comprehensive risk and control framework and monitored by the Board of Directors. A full statement of the Company's risk management policies and procedures is published on the Company's website in accordance with the Pillar 3 disclosures required by the Capital Requirement's Directive (https://global.etrade.com/e/t/intl/media?id=pillar_3_disclosure.pdf).

Business Risk: The principal ongoing risk facing the Company is its dependence upon trading volumes in the securities' markets. A downturn in or disruption to the securities' markets may lead to changes in volume and price levels of securities' transactions which may, in turn, result in lower trading volumes and margin lending. More broadly, any reduction in overall transaction volumes would likely result in lower revenues and may harm the operating result as a proportion of overhead costs are fixed. Following the decision to close the business, the Company is dependent on customer action to repatriate assets before it may close the office and cease business.

Market Risk: The Company does not undertake proprietary trading and bears no direct market risk in respect of products offered to customers. A downturn in securities markets may impact the value of collateral held in connection with margin receivables and may reduce its value below the amount borrowed, potentially creating collection issues with margin receivables. The Company maintains controls and processes around margin lending to minimise the impact of any such market movement. The financial statements of the Company are stated in USD. However, the Company does have assets and liabilities denominated in currencies other than USD and hence the Company is exposed to movements in foreign exchange rates. The Company seeks to mitigate this exposure by minimising the exposure in foreign currencies.

Credit Risk: Margin lending to customers is subject to approved limits and procedures for applying margin calls and closing out positions. All amounts owed by customers are regularly reviewed and provisions made as appropriate. Customer cash is managed in accordance with the FCA's Client Money rules, and is held in bank accounts with authorised financial institutions. Under these rules and to safeguard its security, customer cash is segregated from the Company's corporate cash. All financial institutions used for investment of funds are evaluated for credit worthiness, with only those with a strong credit rating and financial stability selected.

E*TRADE SECURITIES LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

Operational Risk: Company's operational risk comes primarily from the use of third party and affiliated service providers. The Risk Management framework has been established to manage such risk. A strategic-level Risk and Control Assessment (RCA) has been conducted. The mitigating controls for each risk have also been documented and scored on both their design and their performance. All of the risks have an owner assigned to them to ensure clear ownership responsibility within the Company. These risks are reviewed periodically in accordance with the risk management policy.

Liquidity Risk: Liquidity risk arises in the funding of lending and investment activities. It includes both the risk of unexpected increases in the cost of funding assets and the risk of being unable to liquidate positions in a timely manner at reasonable prices. The Company's policy is to monitor and manage closely liquidity levels to maximise liquidity and minimise liquidity risk. The liquidity policy is conservative in nature. In addition, the Company maintains a contingency funding plan to provide access to additional funding in the event of unexpected circumstances.

Going concern: As set out above, on 24 October 2012, E*TRADE Financial Corporation (the ultimate parent Company) made a decision to cease operations in the UK. Thereafter, on 10 November 2012, the directors of the Company affirmed the closure of the Company's business and its plan for doing so. Currently, the Company is winding down with the view to closing as soon as all regulatory requirements are met. Accordingly, the financial statements have been prepared on a basis other than of the Company being a going concern.



Martin Powell
Director

16 April 2015

E*TRADE SECURITIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their annual report with the financial statements of the Company for the year ended 31 December 2014.

FUNCTIONAL CURRENCY

The functional currency of the Company is USD.

DIVIDENDS

No dividends were paid during the year 2014 or in the prior year. No recommendation is made as to final dividends for the current year or in the prior year.

DIRECTORS AND THEIR INTERESTS

The directors in office during 2014 and at the date of signing this report were as follows:

P W Brandow
B van der Sluis
M Powell

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

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 applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 United Kingdom applicable law and Accounting Standards have been followed.

The directors have stated in the Principal Activities and Future Developments paragraph in the Strategic report, the ultimate parent Company made a decision on 24 October 2012 to cease the operations in the UK. Accordingly, the financial statements have been prepared on a basis other than of the Company being a going concern.

The directors are responsible for ensuring that the Company keeps 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

E*TRADE SECURITIES LIMITED

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

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.

AUDITOR

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

1. so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the directors have 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 auditor is 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:



Martin Powell
Director

16 April 2015

E*TRADE SECURITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E*TRADE SECURITIES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of E*TRADE Securities Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of its profit for the year then ended; and
- 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

As set out in the Principal Activities and Future Developments paragraph in the Strategic Report, E*TRADE Financial Corporation (the ultimate parent Company) made a decision on 24 October 2012, to cease operations in the UK. Accordingly the financial statements have been prepared on a basis other than of the Company being a going concern.

E*TRADE SECURITIES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E*TRADE SECURITIES LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2014**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



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

16 April 2015

E*TRADE SECURITIES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$'000	\$'000	2013 \$'000	\$'000
TURNOVER					
Continued		-		-	
Discontinued		<u>6,090</u>		<u>7,315</u>	
			6,090		7,315
Operating expenses			(5,144)		(7,393)
OPERATING PROFIT/(LOSS)					
Continued	2	-		-	
Discontinued		<u>946</u>		<u>(78)</u>	
			946		(78)
Interest income	3		4		50
Interest expense	4		<u>(175)</u>		<u>(264)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			775		(292)
Taxation charge	7		-		-
PROFIT/(LOSS) FOR THE YEAR			<u>775</u>		<u>(292)</u>

E*TRADE SECURITIES LIMITED**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$'000	\$'000	2013 \$'000	\$'000
CURRENT ASSETS					
Debtors	9	4,724		6,642	
Cash at bank	10	<u>6,988</u>		<u>4,197</u>	
		11,712		10,839	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	11	(1,788)		(1,798)	
Provision for restructuring	12	<u>(854)</u>		<u>(746)</u>	
		(2,642)		(2,544)	
NET CURRENT ASSETS			9,070		8,295
NON-CURRENT LIABILITIES					
Creditors: Amounts falling due after more than one year	11	<u>(1,501)</u>		<u>(1,501)</u>	
			(1,501)		(1,501)
NET ASSETS			<u>7,569</u>		<u>6,794</u>
CAPITAL AND RESERVES					
Called up share capital	13		9,425		9,425
Share premium account	14		70,764		70,764
Capital reserve	15		271		271
Profit and loss account	16		<u>(72,891)</u>		<u>(73,666)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	17		<u>7,569</u>		<u>6,794</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2015. Signed on its behalf by:



Martin Powell
Director

16 April 2015

REGISTERED NUMBER: 103238 (SCOTLAND)

E*TRADE SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The specific accounting policies adopted consistently in the current and prior years are set out below.

Going concern basis

As set out in the Principal Activities paragraph in the Strategic Report, on 24 October 2012, E*TRADE Financial Corporation (the ultimate parent Company) made a decision to cease operations in the UK. Thereafter, on 10 November 2012, the directors of the Company affirmed the closure of the Company's business and its plan for doing so. Currently, the Company is in the process of winding down with the objective to closing as soon as all regulatory requirements are met. Accordingly, the financial statements have been prepared on a basis other than of the Company being a going concern.

Turnover

Turnover consists predominantly of margin financing and commission income earned on brokerage activities on client accounts. Brokerage commission is recognised when clients' instructions have been executed.

Fixed asset 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 the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the dates of the transactions. Exchange differences are taken into the profit and loss account for the year.

Leasing commitments

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of lease term.

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.

E*TRADE SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Cash flow statement

As permitted by Financial Reporting Standard No.1 (Revised 1996), the Company has not produced a cash flow statement of its own as it is an indirectly held wholly-owned subsidiary of E*TRADE Financial Corporation, the ultimate parent company, whose financial statements are publicly available.

Client money

The Company holds money on behalf of clients in segregated client money accounts. At 31 December 2014, the Company held \$1,633,000, (2013: \$3,715,000) in segregated client money accounts. Included in these accounts is \$33,000 (2013: \$930,000) of corporate cash (Note 10).

Related party transactions

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

Preparation of group accounts

As the Company has met the criteria for exemption under section 400 of the Companies Act 2006, no group accounts have been prepared at the individual Company level of E*TRADE Securities Limited whose ultimate parent is E*TRADE Financial Corporation, which prepares consolidated accounts.

2 OPERATING (PROFIT)/LOSS

	2014 \$'000	2013 \$'000
The operating (profit)/loss is stated after charging/(crediting) :		
Auditor's remuneration - fees payable for audit of the Company's accounts	64	81
Non-audit service fee		
- Regulatory compliance	30	21
- Accounting and tax	63	43
Operating lease rentals:		
- Land and buildings	140	126
- Equipment	9	5
Restructuring costs - including retention, severance and associated social security costs (see Note 5)	1,411	1,657
(Profit)/loss on foreign currencies	(51)	48

E*TRADE SECURITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

**3 INTEREST
INCOME**

	2014 \$'000	2013 \$'000
Bank interest	3	18
Other Interest	1	32
	<u>4</u>	<u>50</u>

4 INTEREST EXPENSE

	2014 \$'000	2013 \$'000
Interest paid to retail customers	-	1
Interest paid to group undertakings	175	263
	<u>175</u>	<u>264</u>

5 INFORMATION ON DIRECTORS AND EMPLOYEES

	2014 \$'000	2013 \$'000
Staff costs		
Wages and salaries	830	1,633
Retention and severance	1,194	654
Social security costs	329	561
Pension costs	47	25
Total staff costs	<u>2,400</u>	<u>2,873</u>

The average number of employees during the year was 4 (2013: 6).

	2014 \$'000	2013 \$'000
Directors' emoluments		
Emoluments	1,053	2,402
Pension contributions to money purchase (defined contribution) schemes	47	20
	<u>1,100</u>	<u>2,422</u>

	2014 \$'000	2013 \$'000
Details of highest paid director's emoluments		
Emoluments	534	1,487
Pension contributions to money purchase (defined contribution) schemes	19	-
	<u>553</u>	<u>1,487</u>

6 PENSION COSTS

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 \$47,000 in the current year (2013: \$25,000).

E*TRADE SECURITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

7 TAX ON LOSS ON ORDINARY ACTIVITIES

i) Analysis of tax on loss on ordinary activities

	2014 \$'000	2013 \$'000
Current tax charge	-	-
Under provision in prior years	-	-

ii) Factors affecting taxation charge for the current year

The standard rate of corporation tax in the United Kingdom 21.5% (2013: 23.25%).

The differences are explained below:

	2014 \$'000	2013 \$'000
Profit/(loss) on ordinary activities before taxation	775	(292)
Tax at 21.5% (2013: 23.25%) thereon:	166	(68)
Effects of:		
Non deductible expenses	170	385
Brought forward tax utilised	(336)	(317)
Current tax charge for the year	-	-

Deferred tax assets on losses (\$10,570,000), capital allowances (\$2,014,000) and other timing differences (\$172,000) have not been recognised. As part of winding up, the Company is in process of disposing of certain assets and revenue streams. The disposal of these may result in the utilisation of tax losses.

8 INVESTMENTS

	2014 \$'000	2013 \$'000
Cost		
At 1 January 2013 and 31 December 2014	-	-

Cost of investments includes \$3 (2013 - \$3) for E*TRADE UK Nominees Limited

Set out below is the Company's subsidiary as at 31 December 2014

Name	Country of incorporation	Class of shares	Principal activity	Proportion of shares/voting rights
E*TRADE UK Nominees Limited	Great Britain	Ordinary	Nominee Company	100%

E*TRADE SECURITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014****9 DEBTORS**

	2014	2013
	\$'000	\$'000
Trade debtors	87	381
Amounts owed by group undertakings	3,603	3,507
Other debtors	943	2,659
Prepayments	91	95
	<u>4,724</u>	<u>6,642</u>

The Company's credit risk is primarily attributable to trade debtors (includes net customer receivable) and cash balances. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on deposits is limited because the counterparties are banks with investment grade credit rating assigned by international credit-rating agencies. The credit risk on net customer receivable is limited as customers' securities positions are used as collateral against their margin balances.

10 CASH AT BANK

Included in cash at bank is an amount of \$33,000 in the current year (2013: \$930,000) which has been segregated to cover client money requirements.

11 CREDITORS

	2014	2013
	\$'000	\$'000
Amounts falling due within one year:		
Trade creditors and accrued operating expenses	606	184
Amounts owed to group undertakings	102	534
Current portion of loans from parent	<u>1,080</u>	<u>1,080</u>
	<u>1,788</u>	<u>1,798</u>
Amounts falling due after one year:		
Loans from affiliates	<u>1,501</u>	<u>1,501</u>
	<u>1,501</u>	<u>1,501</u>

E*TRADE SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

11 CREDITORS (continued)

The list of loans at balance sheet date is as follows:

Nature	Start Date	Maturity Date	Interest Rate/p.a	Notional 2014 \$'000	Notional 2013 \$'000
\$1.5m subordinated loan	May-12	May-18	9.0%	1,501	1,501
\$1m unsubordinated loan	Jan-13	Jan-15	6.5%	1,080	1,080
				<u>2,581</u>	<u>2,581</u>

On 29 January 2013, a loan of \$1m was signed between E*TRADE UK (Holdings) Limited (lender) and the Company (borrower), at an interest rate of 6.5% compounded monthly for a period of 12 months. On 29 of January 2014, this loan agreement has been renewed for a further 12 months. On 29 January 2015, a second amendment was made to the loan agreement extending the maturity date a further 12 months to 29 January 2016.

12 PROVISION FOR RESTRUCTURING

	2014 \$'000	2013 \$'000
As at 1 January	746	1,093
Additions	1,411	1,657
Utilised	(1,303)	(2,004)
As at 31 December	<u>854</u>	<u>746</u>

Included within the provision is \$807,061 for the severance of the UK staff.

13 CALLED UP SHARE CAPITAL

	2014 \$'000	2013 \$'000
Authorised:		
Equity interests:		
Unlimited Ordinary shares of £1 each	15,426	15,426
Non-equity interests:		
Unlimited Preference shares of £1 each	2	2
	<u>15,428</u>	<u>15,428</u>
Allotted, called up and fully paid:		
Equity interests:		
As at 1 January		
6,109,432 Ordinary shares of £1 each (2013: 6,071,412)	9,425	9,365
Shares issued during the year nil,		
ordinary shares of £1 each (2013: 38,020)	-	60
As at 31 December		
6,109,432 (2013: 6,109,432) Ordinary shares of £1 each	<u>9,425</u>	<u>9,425</u>

On 24 May 2013 and 7 November 2013, a total of 38,020 ordinary shares were issued to the immediate holding Company with an aggregate value of £1,797,238, at £47.27 per share, including premium.

E*TRADE SECURITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014****14 SHARE PREMIUM ACCOUNT**

	2014	2013
	\$'000	\$'000
Equity interests:		
As at 1 January	70,764	68,024
Premium on shares issued during the year	-	2,740
As at 31 December	<u>70,764</u>	<u>70,764</u>

15 CAPITAL RESERVE

	2014	2013
	\$'000	\$'000
As at 1 January	271	271
As at 31 December	<u>271</u>	<u>271</u>

16 PROFIT AND LOSS ACCOUNT

	2014	2013
	\$'000	\$'000
As at 1 January	(73,666)	(73,374)
Profit/(loss) for the year	775	(292)
As at 31 December	<u>(72,891)</u>	<u>(73,666)</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	\$'000	\$'000
Gain for the year	775	2,508
Net increase in shareholders' funds	775	2,508
Opening shareholders' funds	6,794	4,286
Closing shareholders' funds	<u>7,569</u>	<u>6,794</u>

18 CONTINGENT LIABILITY

In December 2012, biw AG filed a hold claim against funds held in a formal escrow which was established between biw AG and the Company at the time of the asset sale between the two companies which took place in December 2010. Accordingly, an amount of EUR 900,000 was held in the escrow account in respect of possible settlement of the claim against biw AG. In September 2014, the final disposition of the case was reached in the German courts with a judgment in favour of biw AG. Therefore, in November 2014, the Company received EUR 900,000 plus interest. In December 2013, biw AG filed a hold claim against the escrow in the amount of EUR 625,000 following two additional demand letters from previous clients of the Company who were transferred to biw AG in the asset sale. During 2014, the Company and biw AG agreed that the final statute of limitations for the claims ends on 31 January 2016. Accordingly, if no formal claims are filed, the Company will receive a final distribution from the escrow account equal to EUR 625,000 plus interest.

E*TRADE SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

19 SUBSEQUENT EVENTS

On 31 March 2015, the Board of the Company terminated its revenue sharing agreements with its affiliate, E*TRADE Securities LLC. Revenues earned by the Company from this source represented more than 95% of the Company's total revenues in the year to 31 December 2014. Cancellation of the agreement will negatively impact the Company's net profit by an estimated \$400,000 per month from 1 April 2015 onwards.

20 OPERATING LEASE

At 31 December 2014, the Company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2014 \$'000	Land and buildings 2013 \$'000
Expiring within one year	<u>35</u>	<u>33</u>

21 ULTIMATE PARENT COMPANY

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