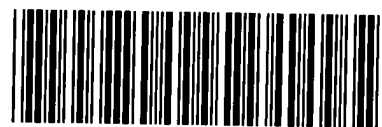


Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

**Annual Report and Financial Statements
For the Year Ended 31 December 2017**

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Interactive Brokers (U.K.) Limited

Report and Financial Statements 2017

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Interactive Brokers (U.K.) Limited

Officers and registered office

Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chait
Earl Nemser
Paul Brody

Secretary

Paul Brody

Registered office

Level 20
Heron Tower
110 Bishopsgate
London EC2N 4AY

Interactive Brokers (U.K.) Limited

Strategic report

Principal activities

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Interactive Brokers (U.K.) Limited (the “Company”) offers execution and clearing broking services in equity and derivative products to private and institutional clients. It also operates as a client carrying broker dealer, offering unallocated spot gold and silver, contracts for differences, safe custody stock, index futures and options to its carried clients and affiliates. The Company has been authorised to carry out investment business by the Financial Conduct Authority since February 2002.

Future prospects

In 2018, the Company intends to further expand its product and market offerings.

Business performance

Pre-tax profit decreased to £18,192k for the year ended 31 December 2017 from £18,905k for the previous year. As at 31 December 2017, the Company was the carrying broker for 33,942 clients (2016: 31,189).

Principal risks and uncertainties

Operational risk

Management takes appropriate steps to minimise the impact of operational risks faced by the Company.

Market risk

Market risk is inherent to the investment in financial instruments. The scope of the Company’s market risk management procedures include all market risk sensitive financial instruments. The Company’s exposure to market risk is directly related to its role as a financial intermediary in client trading transactions.

Credit risk

The Company’s credit risk is primarily attributable to its trade receivables. Credit risk is mitigated through the rigorous assessment of all new clients and real-time margining.

Liquidity and interest rate risk

The Company has established liquidity procedures for measuring funding requirements and identifying potential liquidity mismatches. The Company maintains a highly liquid balance sheet. The majority of the Company’s assets consist of cash and collateralised receivables, primarily being receivables from clearing houses for the settlement of securities and derivatives transactions.

Key performance indicators

The number of carried client accounts increased 8.8% to 33,942 for the year ended 31 December 2017 from 31,189 for the previous year.

Net commissions decreased to £33,644k for the year ended 31 December 2017 from £37,297k for the previous year.

Interactive Brokers (U.K.) Limited

Capital

Capital adequacy is monitored daily and the use of regulatory capital is monitored on a monthly basis. See note 21 for further details. Disclosures required under Pillar 3 can be found on the Interactive Brokers Group Inc (“IBG, Inc.” or the “ultimate parent company”) website.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'Gerald Perez', written over a circular stamp or mark.

Gerald Perez
Director
25 April 2018

Interactive Brokers (U.K.) Limited

Directors' report

The directors present their annual report, together with the Company's financial statements and auditor's report for the year ended 31 December 2017.

Results and dividends

The directors report a profit after taxation of £14,811k for the year ended 31 December 2017 (2016: £14,818k). No dividends are proposed (2016: £nil).

Directors

Thomas Peterffy, Gerald Perez, Yograj Aggarwal, Jonathan Chait, Earl Nemser and Paul Brody have been directors of the Company throughout the year.

Directors' indemnities

The Company has appropriate liability insurance in place for all directors and officers.

Political contributions

No charitable or political donations were made by the Company for the year ended 31 December 2017 (2016: £nil).

Auditor

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

- (1) There is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- (2) The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (2) 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.

Subsequent events

The Company has evaluated the period after the balance sheet date up through 25 April 2018, which is the date that the financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

Going concern

The Company is part of IBG LLC ("the Group"). Whilst the Company is not reliant on funding from the Group to provide sufficient capital resources and liquidity to meet its obligations as they fall due, it is currently reliant on the Group for operational support. After making inquiries about the continued availability of the Group operational support and considering the level of liquid capital within the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Interactive Brokers (U.K.) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether applicable U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors
and signed on behalf of the Board by



Gerald Perez
Director
25 April 2018

Interactive Brokers (U.K.) Limited

Country by country reporting

The Company is required to comply with the provisions of Statutory Instrument 2013 No.3118 Capital Requirements (Country-by-Country Reporting, “CBCR”) Regulations 2013, which implements in the United Kingdom the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU).

In order to comply with this requirement, the Company is publishing the following information:

- The Company offers execution and clearing broking services in equity and derivative products to private and institutional clients. It also operates as a client carrying broker dealer, offering unallocated spot gold and silver, contracts for differences, safe custody stock, index futures and options to its carried clients and affiliates. The Company is incorporated in the United Kingdom and is based in London. The Company does not have branches, but has one subsidiary, Interactive Brokers (U.K.) Nominee Limited.
- Total turnover for 2017 was £33,644k, all derived from the United Kingdom.
- During 2017, the average number of direct employees on a full-time equivalent basis was 31, all of whom are based in the United Kingdom. Technology infrastructure and certain support functions are provided by the Group affiliates.
- Profit before tax for 2017 was £18,192k, all derived from the United Kingdom.
- Corporation tax paid was £3,998k in 2017.
- The Company did not receive public subsidies in 2017.

Independent auditor's report to the members of Interactive Brokers (U.K.) Limited

Report on the audit of 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Interactive Brokers (U.K.) Limited (the 'Company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



James Polson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
25 April 2018

Interactive Brokers (U.K.) Limited

Profit and loss account

For the year ended 31 December 2017

	Notes	2017 £ (in thousands)	2016 £ (in thousands)
Turnover	3	33,644	37,297
Administrative expenses		(24,841)	(26,280)
Other operating income		1,687	780
Operating profit	4	10,490	11,797
Finance income	7	20,881	14,083
Finance costs	8	(13,179)	(6,975)
Profit on ordinary activities before taxation		18,192	18,905
Taxation	9	(3,381)	(4,087)
Profit after taxation and profit for the financial year		14,811	14,818
Other Comprehensive Income:			
Items that can be reclassified to profit or loss		-	-
Total comprehensive income for the year		14,811	14,818

All activities are derived from continuing operations.

The notes on pages 13 to 29 form an integral part of the financial statements.

Interactive Brokers (U.K.) Limited

Balance sheet

As at 31 December 2017

	Notes	2017	2016
			as restated
		£ (in thousands)	£ (in thousands)
NON-CURRENT ASSETS			
Tangible assets	10	77	94
Investments	11	171	167
Deferred taxation	12	395	230
		<u>643</u>	<u>491</u>
CURRENT ASSETS			
Debtors	14	403,412	409,509
Cash and cash equivalents	13	24,601	27,527
		<u>428,013</u>	<u>437,036</u>
CREDITORS: amounts falling due within one year	15	<u>(339,040)</u>	<u>(362,800)</u>
NET CURRENT ASSETS		<u>88,973</u>	<u>74,236</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>89,616</u></u>	<u><u>74,727</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	79	79
Capital contribution		14,221	14,221
Profit and loss account		75,118	60,307
Other reserves		198	120
EQUITY SHAREHOLDER'S FUNDS		<u><u>89,616</u></u>	<u><u>74,727</u></u>

The notes on pages 13 to 29 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2018. They were signed on behalf of the Board of Directors by:



Gerald Perez
Director

Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

Statement of changes in equity For the year ended 31 December 2017

	Share Capital	Capital Contribution	Profit and Loss Account*	Other Reserves**	Total
<i>£ (in thousands)</i>	£	£	£	£	£
Balance at 1 January 2016	79	14,221	45,489	136	59,925
Profit for the period	-	-	14,818	-	14,818
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	14,818	-	14,818
Deferred tax on share-based payment transactions	-	-	-	(16)	(16)
Balance at 31 December 2016	79	14,221	60,307	120	74,727
Profit for the period	-	-	14,811	-	14,811
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	14,811	-	14,811
Deferred tax on share-based payment transactions	-	-	-	78	78
Balance at 31 December 2017	79	14,221	75,118	198	89,616

*Profit and loss account represents accumulated retained earnings.

**Other reserves represent the excess of estimated future tax deductions over cumulative remuneration expense in respect of share based payment transactions.

The notes on pages 13 to 29 form an integral part of the financial statements.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the valuation of current asset investments at market value and in accordance with applicable law and United Kingdom Accounting Standards (FRS 101).

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ("FRC"). Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 (the "Act") as applicable to companies using FRS 101. This incorporates the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

FRS 101 sets out a reduced disclosure framework for a qualifying entity as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on a going concern basis as set out on the Directors' Report on page 4.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year, except for the accounting treatment for cash and cash equivalents. In accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' the directors have determined that client money funds and corresponding liabilities shall be held off balance sheet. In their view, this will enhance reliability and comparability of the financial statements. See note 23.

Tangible assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Leasehold Improvements	Lesser of useful life and period of the lease
Fixtures and Fittings	7 years
Office Equipment	5 years
Computer Equipment	3 years

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss, available for sale investments or loans and receivables.

Financial assets at fair value through profit or loss – financial assets that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in the profit and loss account and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in the profit and loss account as they arise. The net gain or loss recognised in profit or loss incorporates the interest earned on the financial asset. Fair value is determined in the manner described in note 18.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

Gains and losses on available for sale assets arising from changes in fair value are recognised directly in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit and loss accounts for the year.

Loans and receivables – non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses. Interest is recognised by applying the effective interest rate, except for short-term receivables when recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced. Impairment losses are charged to the profit and loss account.

For financial assets classified as available for sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered to be objective evidence of impairment.

The carrying amount of the financial asset is reduced by the impairment loss with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the profit and loss. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

Debt and equity

Debt and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. The Company does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to its initial carrying value.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

Share-based payments

The Company operates equity-settled share-based payments schemes to certain employees whereby the employees are awarded restricted stock units of the Company's ultimate parent company. Under FRS 101: Share-based Payments, the equity-settled share-based payments are measured at fair value at the date of the grant. Grants, which are denominated in U.S. dollars, are communicated to employees in the year of grant, thereby establishing the fair value of each grant. The fair value of awards granted to employees are generally expensed as follows: 50% in the year of grant in recognition of plan's post-employment provisions (described below) and the remaining 50% over the related vesting period utilizing a "graded vesting" method. In the case of "retirement eligible" employees (those employees older than 59), 100% of awards are expensed when granted.

Awards granted under the stock-based compensation plans are subject to the plan's post-employment provisions in the event an employee ceases employment with the Company. The plans provide that employees who discontinue employment with the Company without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the employee is over the age of 59, in which case the employee would be eligible to receive 100% of previously granted but not yet earned awards.

Turnover

Turnover is measured at the fair value of the consideration received or receivable when the service is provided in the normal course of business, net of discounts, VAT and other sales-related taxes. The Company's turnover comprises commission derived from agency trades from electronic broking and is recognised on trade-date.

Finance income and costs

Interest income on financial assets and interest expense on financial liabilities are determined using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the initial carrying amount.

Foreign currencies

The Company's financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are revalued to the Company's functional currency at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are revalued at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

Taxation

Current taxation is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short term market deposits held by the Company.

The Company holds money on behalf of clients in accordance with the client money rules of the FCA. Segregated client money accounts hold statutory trust status. These client funds and corresponding liabilities are held off balance sheet.

Pension cost

For defined contribution pension schemes the profit and loss account is charged with the contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Group accounts

The Company is exempt from the obligation to prepare and deliver group accounts under s400 of the Companies Act 2006. The Company is a wholly-owned subsidiary of IBG LLC.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Operating leases

Leases are classified as operating leases when the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the term of the relevant lease. Associated costs such as maintenance and insurance are expensed as they are incurred.

2. Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. Such judgments include the treatment of client money off balance sheet and estimates include the valuation of current and deferred income taxes.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

3. Turnover

An analysis of the Company's turnover is as follows:

	2017	2016
	£ (in thousands)	£ (in thousands)
Continuing operations		
Commissions	33,644	37,297
	<u>33,644</u>	<u>37,297</u>

	2017	2016
	£ (in thousands)	£ (in thousands)
Revenue by geographical location		
United Kingdom	33,644	37,297
	<u>33,644</u>	<u>37,297</u>

4. Operating profit

	2017	2016
	£ (in thousands)	£ (in thousands)
Operating profit is stated after charging/(crediting):		
Depreciation	36	31
Foreign exchange loss / (gain)	134	(343)
	<u>163</u>	<u>166</u>
Services provided by the Company's auditors:		
Audit of the Company's annual accounts	31	31
Audit related assurance services	60	60
Group audit fees allocated to the Company	32	40
Other services relating to taxation	20	20
All other services	20	15
	<u>163</u>	<u>166</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

5. Employee information including directors

	2017	2016
Employee costs (including directors' emoluments)	£ (in thousands)	£ (in thousands)
Wages and salary	3,246	2,670
Social security costs	464	325
Pension contribution	76	34
	<u>3,786</u>	<u>3,029</u>
	<u><u>3,786</u></u>	<u><u>3,029</u></u>
Average number of persons (including directors) employed	No.	No.
Customer service	14	7
Compliance	9	7
Sales	2	2
Administration	6	6
	<u>31</u>	<u>22</u>
	<u><u>31</u></u>	<u><u>22</u></u>

6. Directors' emoluments

	2017	2016
	£ (in thousands)	£ (in thousands)
Emoluments	510	503
Stock incentive compensation	248	254
	<u>758</u>	<u>757</u>
	<u><u>758</u></u>	<u><u>757</u></u>
Remuneration of the highest paid director		
Emoluments	263	260
Stock incentive compensation	135	142
	<u>398</u>	<u>402</u>
	<u><u>398</u></u>	<u><u>402</u></u>

Employer pensions contributions paid by the Company for serving directors are included within emoluments. As at 31 December 2017, retirement benefits are accruing for two directors (2016: two) under defined contribution schemes.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

7. Finance income

	2017	2016
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Bank interest receivable and similar income	3,619	818
Interest receivable from clients	13,785	8,217
Interest receivable on intercompany balances	3,477	5,048
	<u>20,881</u>	<u>14,083</u>

8. Finance costs

	2017	2016
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Bank interest payable and similar expense	3,541	2,390
Interest payable to clients	1,791	73
Interest payable on intercompany balances	7,847	4,512
	<u>13,179</u>	<u>6,975</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

9. Taxation

Analysis of tax charge on ordinary activities	£ (in thousands)	£ (in thousands)
Current Tax		
U.K. Corporation tax at 19.25% (2016: 20%)	3,454	4,053
Prior year adjustment	47	41
	<hr/>	<hr/>
	3,501	4,094
Deferred Tax (see also note 12)		
Current year	(123)	21
Prior year adjustment	3	(28)
	<hr/>	<hr/>
Total tax charge for period	<hr/> 3,381 <hr/>	<hr/> 4,087 <hr/>
	2017	2016
Factors affecting total tax charge	£ (in thousands)	£ (in thousands)
Profit before taxation	18,192	18,905
	<hr/>	<hr/>
Tax at 19.25% (2016: 20%) thereon:	3,502	3,781
Expenses not deductible for tax purposes	(86)	260
Change in prior year adjustments	50	13
Effect of tax rate differences between current and deferred tax	2	(45)
Share based payments reconciling items	(87)	78
	<hr/>	<hr/>
Total tax expense for the year	<hr/> 3,381 <hr/>	<hr/> 4,087 <hr/>

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

10. Tangible assets

	Leasehold Improvements	Fixtures and Fittings	Office Equipment	Computer Equipment	Total
Cost £ (in thousands)					
As at 1 January 2017	1	26	7	94	128
Additions	12	-	-	7	19
Retired assets	-	-	-	(6)	(6)
As at 31 December 2017	13	26	7	95	141
Depreciation £ (in thousands)					
As at 1 January 2017	-	(3)	(1)	(30)	(34)
Charge for the year	(1)	(4)	(1)	(30)	(36)
Retired assets	-	-	-	6	6
As at 31 December 2017	(1)	(7)	(2)	(54)	(64)
Net book value £ (in thousands)					
As at 31 December 2017	12	19	5	41	77
As at 31 December 2016	1	23	6	64	94

11. Investments

Available for sale financial assets

	2017	2016
	£ (in thousands)	£ (in thousands)
As at 1 January	167	145
Revaluation	4	22
As at 31 December	171	167

The available-for-sale investments are comprised of unlisted securities for which there are no readily available market prices. As such, the fair value of such unlisted securities are based on cost less any provision for impairment.

Subsidiary undertakings

The Company owns 100% of the share capital, comprising one ordinary share of £1 in Interactive Brokers (U.K.) Nominee Limited (the "Subsidiary Undertaking"), a company incorporated in England. The principal activity of the Subsidiary Undertaking remains that of a nominee company.

The registered address of the Subsidiary Undertaking is the same as the Company.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

12. Deferred taxation

	2017	2016
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
As at 1 January	230	292
Deferred tax movement	165	(62)
As at 31 December	395	230
Analysis of deferred taxation balance		
Depreciation in excess of capital allowances	-	(6)
Short term timing differences	395	236
Deferred tax assets recognised	395	230

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

13. Cash and cash equivalents

Cash and cash equivalents comprises cash at banks. The carrying amount of these assets is approximately equal to their fair value.

At the balance sheet date there were deposits for clients, not included in the balance sheet, which were held in segregated client bank accounts amounting to £840,203k (2016: £680,296k).

14. Debtors

	2017	2016
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Trade debtors	282,740	363,458
Amounts owed from group undertakings	120,082	45,302
Other debtors	130	307
Prepayments and accrued income	460	442
	403,412	409,509

Trade debtors primarily comprises margin held with external counterparties and client margin lending based on collateral held with the Company, which is described in note 15.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

15. Creditors

	2017	2016
		as restated
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Trade creditors	322,410	349,664
Amounts owed to group undertakings	11,922	7,743
Corporation tax	1,533	2,063
Accruals and deferred income	2,117	1,742
Other creditors	1,058	1,588
	<u>339,040</u>	<u>362,800</u>

Collateral	2017		2016	
	Permitted to repledge	Sold or repledged	Permitted to repledge	Sold or repledged
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Client margin asset	<u>57,056</u>	<u>57,056</u>	<u>52,497</u>	<u>52,497</u>

In the normal course of business, the Company engages in financing transactions with and for clients through margin financing. Amounts relating to collateralised transactions at 31 December 2017 are summarised per above.

16. Called up share capital

	2017	2016
	No.	No.
Authorised		
A ordinary shares of £1 each	700	700
B ordinary shares of €1 each	125,000	125,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid	£	£
700 A ordinary shares of £1 each	700	700
125,000 B ordinary shares of €1 each	78,632	78,632
	<u> </u>	<u> </u>
As at 31 December	<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 (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

17. Operating lease arrangements

	2017	2016
	£ (in thousands)	£ (in thousands)
Lease payments under operating leases recognised as an expense in the year	632	357

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£ (in thousands)	£ (in thousands)
Within one year	713	807
In the second to fifth years inclusive	2,853	3,761
After five years	166	1,160
	<u>3,732</u>	<u>5,728</u>

18. Financial instruments and risk management

Overall

The Company's principal business activities result in exposure to market and credit risk. In addition, the Company is subject to liquidity and interest rate risk. Effective identification, assessment and management of these risks is critical to the success and stability of the Company. As a result, the Company has established comprehensive risk management procedures to identify, monitor and control each of these principal risks.

At the Group level, various management committees have been established that have responsibilities for monitoring and oversight of its activities and risk exposures of the companies within the Group.

Market risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in market prices. Market risk can be exacerbated in times of illiquidity where market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Market risk is inherent to the investment in financial instruments. The scope of the Company's market risk management procedures includes all market risk sensitive financial instruments.

The Company's exposure to market risk is directly related to its role as a financial intermediary in client trading transactions. The Company's market risk policy incorporates the hedging of all trades from its clients. Exposure to market price fluctuations is generally limited to residual currency balances different to the Company's functional currency, derived from operational activities. Such exposures are monitored on a regular basis.

The directors consider that the Company has no significant exposure to market risk.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

Credit risk

Brokerage activities expose the Company to credit risk. The risk is managed in accordance with established risk management policies and procedures. To accomplish this, management has established a risk management process that includes:

- Regular review of the risk management process by the executive management as part of their oversight role;
- Defined risk management policies and procedures supported by a rigorous analytic framework; and
- Articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Company's risk-taking is consistent with its business strategy, capital structure and current and anticipated market conditions.

The Company is exposed to risk of loss if a counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). The Company has established policies and procedures for reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated on a regular basis. Maximum exposure limits for the Group are established for each counterparty.

The Company manages the credit exposure to each of its market counterparties typically by keeping the minimum required balances at each counterparty.

In the normal course of business the Company executes, settles and finances various client securities transactions. Execution of these transactions includes the purchase and sale of securities that exposes the Company to default risk arising from the potential that clients or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavourable market prices to satisfy obligations to other clients or counterparties. The Company seeks to control the risks associated with its client margin activities by requiring clients to maintain collateral in compliance with regulatory and internal guidelines.

The Company operates a real time mark-to-market trading platform whereby clients' profits and losses are credited and debited automatically to their account. Client credit risk can arise where there are significant, sudden movements in the underlying market for the product they are trading. Credit loss mitigation is achieved by ensuring clients collateralise their accounts at an appropriate level and by the utilisation of an automated close out facility which liquidates clients' risk positions appropriately if liquidation thresholds are broken.

Margin loans are extended to clients on a demand basis and are not committed facilities. Factors considered in the acceptance or rejection of margin loans are the amount of the loan, the degree of leverage being employed in the client account and an overall evaluation of a client's portfolio to ensure proper diversification or, in the case of concentrated positions, appropriate liquidity of the underlying collateral. Additionally, transactions relating to concentrated or restricted positions are limited or prohibited by raising the level of required margin collateral (to 100% in the extreme case). Underlying collateral for margin loans is evaluated with respect to the liquidity of the collateral positions, valuation of securities, volatility analysis and an evaluation of industry concentrations. Adherence to the Company's collateral policies significantly limits the Company's credit exposure to margin loans in the event of a client's default. Under margin lending agreements, the Company may request additional margin collateral from clients and may sell assets that have not been paid for or purchase assets sold but not delivered from clients, if necessary.

The total gross amount of individually impaired assets in relation to trade receivables as at 31 December 2017 was £774k (2016: £nil). The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

Concentrations of credit risk

The Company's exposure to credit risk associated with its brokerage and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. As at 31 December 2017 and 2016, the Company did not have any material concentrations of credit risk.

Liquidity and interest rate risk

Liquidity risk is the risk that an entity may encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Company has established procedures for measuring funding requirements and identifying potential liquidity mismatches.

The Company maintains a highly liquid balance sheet. The majority of the Company's assets consist of margin deposits with clearing houses. The Company's exposure to interest rate risk is considered by the directors to be immaterial.

The following table details the Company's expected maturity for its non-derivative financial assets and remaining contractual maturity for its non-derivative financial liabilities. The tables below are based on the undiscounted contractual maturities of the financial assets and financial liabilities.

2017	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
	£	£	£	£	£
Financial Assets £ (in thousands)					
Non interest bearing	10,301	-	-	171	10,472
Variable interest rate instruments	417,252	-	-	-	417,252
Financial Liabilities £ (in thousands)					
Non interest bearing	60,873	-	-	-	60,873
Variable interest rate instruments	278,166	-	-	-	278,166
2016	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
as restated	£	£	£	£	£
Financial Assets £ (in thousands)					
Non interest bearing	(22,602)	-	-	167	(22,435)
Variable interest rate instruments	459,195	-	-	-	459,195
Financial Liabilities £ (in thousands)					
Non interest bearing	57,167	-	-	-	57,167
Variable interest rate instruments	305,633	-	-	-	305,633

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

Fair value of financial instruments

The carrying amount of other financial assets and financial liabilities approximate fair value due to their maturities of less than one year.

Included within trade debtors and creditors are payables and receivables to clients and counterparties which relate to funds placed as margin to support trading in contracts for differences (“CFDs”). The notional value of the underlying CFD positions with clients, which the Company has fully hedged with its other clients or with its counterparties, as at 31 December 2017, was £754.7 million (2016: £478.1 million).

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the accounts.

	2017	2016
		as restated
	£ (in thousands)	£ (in thousands)
Financial assets		
Cash	24,601	27,526
Available for sale	171	167
Loans and receivables	402,952	409,067
	<u>427,724</u>	<u>436,760</u>
Financial liabilities		
Amortised cost	339,040	362,800
	<u>339,040</u>	<u>362,800</u>

19. Contingent liabilities

At 31 December 2017, the Company had no contingent liabilities (2016: nil).

20. Controlling party

In the opinion of the directors, the Company's immediate parent company and ultimate controlling party is IBG LLC, a company organised in the United States. Copies of the financial statements of IBG LLC are available at 1 Pickwick Plaza, Greenwich, CT, 06830, USA.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2017

21. Capital risk management

Accounting capital is defined as the total of the capital contribution classified as equity and other reserves. Total capital at 31 December 2017 was £89.6 million (2016: £74.7 million). Regulatory capital is determined in accordance with minimum capital requirements of the Financial Conduct Authority in the United Kingdom.

The Company's objectives when managing capital are to:

- comply with the capital requirements set by the regulators;
- safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its other stakeholders; and
- maintain a strong capital base to support the future strategy and development of the business.

Capital adequacy and the use of regulatory capital are monitored by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the EU directives, as implemented by the Financial Conduct Authority in the United Kingdom for supervisory purposes. Disclosures required under Pillar 3 can be found on Interactive Brokers Group, Inc.'s website.

Regulatory capital requirements have been met throughout the financial year ended 31 December 2017.

22. Subsequent events

There have been no significant subsequent events since the year end.

Interactive Brokers (U.K.) Limited

Notes to the accounts For the year ended 31 December 2017

23. Prior year restatement

This is the first year that the Company has presented its financial statements with client funds and corresponding liabilities held off balance sheet. There has been no movement in reserves and therefore no impact on either the Profit and Loss Account or the Statement of Changes in Equity.

A reconciliation of the prior year balance sheet is presented below:

	2016 as previously stated	Effect of restatement	2016 as restated
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
NON-CURRENT ASSETS			
Tangible assets	94	-	94
Investments	167	-	167
Deferred taxation	230	-	230
	<u>491</u>	<u>-</u>	<u>491</u>
CURRENT ASSETS			
Debtors	409,509	-	409,509
Cash and cash equivalents - Client funds	680,296	(680,296)	-
Cash and cash equivalents - Own funds	27,527	-	27,527
	<u>1,117,332</u>	<u>(680,296)</u>	<u>437,036</u>
CREDITORS: amounts falling due within one year	<u>(1,043,096)</u>	<u>680,296</u>	<u>(362,800)</u>
NET CURRENT ASSETS	<u>74,236</u>	<u>-</u>	<u>74,236</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><u>74,727</u></u>	<u><u>-</u></u>	<u><u>74,727</u></u>
CAPITAL AND RESERVES			
Called up share capital	79	-	79
Capital contribution	14,221	-	14,221
Profit and loss account	60,307	-	60,307
Other reserves	120	-	120
EQUITY SHAREHOLDER'S FUNDS	<u><u>74,727</u></u>	<u><u>-</u></u>	<u><u>74,727</u></u>