

Company Registration No. 3958476

Interactive Brokers (U.K.) Limited

Report and Financial Statements

31 December 2012

FRIDAY



L272W6TE

LD5

26/04/2013

#81

COMPANIES HOUSE

Interactive Brokers (U.K.) Limited
Report and financial statements 2012

| Contents | Page |
|---|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities | 4 |
| Independent auditor's report to the members | 5 |
| Profit and loss account | 7 |
| Statement of total recognised gains and losses | 8 |
| Balance sheet | 9 |
| Notes to the accounts | 10 |

Interactive Brokers (U.K.) Limited

Officers and professional advisers

Directors

Thomas Peterffy
Yograj Aggarwal
Gerald Perez
Jonathan Chait

Secretary

Paul Brody

Registered office

One Carey Lane
Fifth Floor
London EC2V 8AE

Bankers

Citigroup, N A
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Solicitors

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Auditor

Deloitte LLP
London

Interactive Brokers (U.K.) Limited

Directors' report

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2012

ACTIVITIES AND REVIEW OF DEVELOPMENTS

Interactive Brokers (U K) Limited (the "Company") offers execution and clearing broking services in equity and derivative products to European private and institutional clients. It also operates as a client carrying broker dealer, offering unallocated spot gold and silver and contracts for differences. The Company has been authorised to carry out investment business by the Financial Services Authority since February 2002. It is a member of the London Stock Exchange, Borsa Italiana, MEFF, MexDer, Chi-X, and Crest. It is also a general clearing member of LCH Clearnet for the London Stock Exchange, NYSE-LIFFE, Turquoise, HKMEX and the SIX Swiss exchange.

In February 2013, the Company expanded its product range, offering index futures and options to its carried clients. The directors hope to further expand the product offering in the near future.

RESULTS AND DIVIDENDS

The directors report a profit after taxation of £1,083,723 for the year ended 31 December 2012 (2011 £716,637). No dividends are proposed (2011 £Nil).

FUTURE PROSPECTS

In 2013, as noted above, the Company intends to further expand its offering to include additional products.

BUSINESS REVIEW

Overall, pre-tax profit increased by 41.1% to £1.46 million for the year ended 31 December 2012 from £1.03 million for the previous year. The number of customer accounts grew by 18.5% from 56,534 to 66,988 in 2012.

The Company currently has a shareholding of 362,903 ordinary shares in LCH Clearnet Group Limited ("LCH") classified as available for sale and stated at a fair value of £2,183,294 (2011 £297,619).

On 24 December 2012, London Stock Exchange Group PLC ("LSE") and LCH announced that the terms of a recommended cash offer to be made by London Stock Exchange (C) Limited, a wholly owned subsidiary of LSE, for LCH issued share capital were being renegotiated due to changing regulatory legislation for capital requirements. Under the revised terms of the transaction, accepting LCH shareholders would receive cash consideration of €14 per share on completion and a further €1 per share in 2017. The original transaction had been approved by a majority of shareholders, subject to numerous conditions, which had almost entirely been met.

On 7 March 2013, LSE and LCH announced that they had reached agreement on those revised terms for the cash offer. This was approved by shareholders of LCH on 27 March 2013. On completion, the LSE Group will hold up to a further 55.5% of the LCH issued share capital.

In December 2012, the Directors decided to increase their valuation of the shares held in LCH, reflecting the price agreed between the two parties discounted by the ongoing uncertainty surrounding the transaction at that time.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Operational Risk

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

Interactive Brokers (U.K.) Limited

Directors' report (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk

Market risk is inherent to the investment in financial instruments. The scope of the Company's market risk management procedures therefore 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 customer 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 through an annual review of the creditworthiness of existing clients.

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 its assets consist of cash and collateralised receivables, primarily consisting of receivables from clearing houses for settlement of securities transactions via inter-company balances.

GOING CONCERN

The Company is part of IBG LLC ("the Group"), formerly known as Interactive Brokers Group LLC. 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.

DIRECTORS

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

AUDITOR

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 (as defined in the Companies Act 2006) of which the Company's auditor is 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 (as defined) 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.

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


Gerald Perez
Director

25 April 2013

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 company 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 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,
- state whether applicable U.K. 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE BROKERS (U.K.) LIMITED

We have audited the financial statements of Interactive Brokers (U K) Limited for the year ended 31 December 2012 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

Opinion on financial statements

In our opinion the financial statements

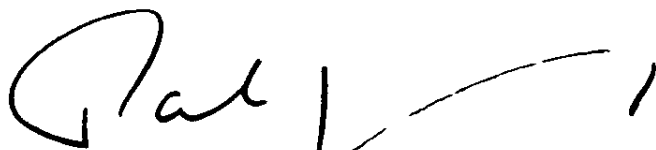
- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE BROKERS (U.K.) 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



Mark Rhys FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
25 April 2013

Interactive Brokers (U.K.) Limited

Profit and loss account Year ended 31 December 2012

| | Notes | 2012 | 2011 |
|---|-------|-------------|-------------|
| | | £ | £ |
| Turnover | | 6,823,792 | 7,075,576 |
| Administrative expenses | | (6,020,529) | (6,430,108) |
| Other operating income | | 2,257 | 20,043 |
| Operating profit | 2 | 805,520 | 665,511 |
| Interest receivable | 6 | 1,135,054 | 560,651 |
| Interest payable | 7 | (482,959) | (192,814) |
| Profit on ordinary activities before taxation | | 1,457,615 | 1,033,348 |
| Tax on profit on ordinary activities | 8 | (373,892) | (316,711) |
| Profit on ordinary activities after taxation and profit for the financial year | | 1,083,723 | 716,637 |

All activities are derived from continuing operations

Interactive Brokers (U.K.) Limited

Statement of total recognised gains and losses Year ended 31 December 2012

| | Note | 2012 | 2011 |
|--|------|------------------|----------------|
| | | £ | £ |
| Profit for the financial year | | 1,083,723 | 716,637 |
| Unrealised surplus on revaluation of investment | 10 | 1,420,582 | - |
| Total gains and losses recognised since last annual report and financial statements | | 2,504,305 | 716,637 |

Interactive Brokers (U.K.) Limited

Balance sheet

As at 31 December 2012

| | Notes | 2012 | 2011 |
|---|-------|----------------------|----------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 9 | 48,609 | 69,805 |
| Investments – available for sale | 10 | 2,367,611 | 297,619 |
| | | <u>2,416,220</u> | <u>367,424</u> |
| CURRENT ASSETS | | | |
| Deferred taxation | 13 | 170,087 | 160,224 |
| Debtors | 11 | 247,448,326 | 98,993,535 |
| Prepayments | | 81,768 | 71,591 |
| Cash at bank and in hand | | 31,934,978 | 26,745,669 |
| | | <u>279,635,159</u> | <u>125,971,019</u> |
| CREDITORS: amounts falling due within one year | 12 | <u>(254,195,502)</u> | <u>(100,986,871)</u> |
| NET CURRENT ASSETS | | <u>25,439,657</u> | <u>24,984,148</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>27,855,877</u> | <u>25,351,572</u> |
| CREDITORS: amounts falling due after one year | | <u>-</u> | <u>-</u> |
| NET ASSETS | | <u>27,855,877</u> | <u>25,351,572</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 79,332 | 79,332 |
| Capital contribution | 16 | 14,220,668 | 14,220,668 |
| Fair value reserve | 16 | 1,420,582 | - |
| Profit and loss account | 16 | 12,135,295 | 11,051,572 |
| | | <u>27,855,877</u> | <u>25,351,572</u> |
| EQUITY SHAREHOLDERS' FUNDS | 15 | <u>27,855,877</u> | <u>25,351,572</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2013
They were signed on behalf of the Board of Directors by



Gerald Perez
Director

Company Registration No 3958476

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

1. Accounting policies

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 (United Kingdom Generally Accepted Accounting Practice)

The financial statements have been prepared on a going concern basis as set out on the Director's Report on page 3

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year

Tangible fixed assets

Tangible 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 | over the lease period |
| Fixtures and fittings | 7 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 19

Available for sale investments – the investment in London Clearing House is classified as available for sale and is stated at fair value. Fair value is determined in the manner described in Note 19. Gains and losses 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 period

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

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

1. Accounting policies (continued)

Impairment of financial assets

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortised cost would have been, had the impairment not been recognised.

In respect of available-for-sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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 As at 31 December 2012

1. Accounting policies (continued)

Share-based payments

The Company operates equity-settled share-based payments schemes to certain employees whereby the employee are awarded stock units in the parent company. Under FRS 20 Share Based Payments, the equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over seven years, with 10% of the cost being expensed in the first year and 15% of the cost in each of the succeeding six years, based on the Company's estimate of the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions. Fair value is measured based on the market value of parent company shares at grant date.

Turnover

Turnover is recognised on an accrual basis and represents commission earned from agency trades and trading revenues from financial instruments carried at fair value net of associated costs.

Interest receivable and payable

Interest receivable and payable are recognised on an accrual basis based on the contracted interest rate.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Sterling is the Company's functional and presentational currency. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions. Exchange differences are included in the profit and loss account.

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 5 (a) of Financial Reporting Standard No. 1.

Taxation

Current taxation is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed, at the balance sheet date, where transactions or events that resulted in an obligation to pay more tax in the future or a right to pay less in the future tax have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognized to the extent it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Client money

Client money for clients held directly by Interactive Brokers (U.K.) Limited is held in designated client bank accounts segregated from the Company's own funds. Client money for clients introduced to the Company's affiliate, Interactive Brokers LLC ("IB LLC"), a broker-dealer registered in the USA, are held by that company. Such money and the corresponding liabilities to clients are not reflected in the Company's balance sheet.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

2. Operating profit

Operating profit is stated after charging/(crediting)

| | 2012 | 2011 |
|---|-----------|-----------|
| | £ | £ |
| Clearing fees payable | 1,206,169 | 1,195,273 |
| Exchange fees payable | 607,061 | 757,120 |
| Depreciation | 33,546 | 38,925 |
| Foreign exchange gain | (8,726) | (24,297) |
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 17,250 | 17,000 |
| | <hr/> | <hr/> |

3. Employee information including directors

| | 2012 | 2011 |
|---|------------|------------|
| | £ | £ |
| Employee costs (including directors' emoluments) | | |
| Wages and salary | 1,380,809 | 1,351,666 |
| Social security costs | 180,649 | 139,123 |
| Pension contribution | 19,684 | 7,268 |
| | <hr/> | <hr/> |
| Average number of persons (including directors) employed | No. | No. |
| Sales | 4 | 3 |
| Information technology | 1 | 1 |
| Compliance | 4 | 4 |
| Administration | 1 | 1 |
| | <hr/> | <hr/> |
| | 10 | 9 |
| | <hr/> | <hr/> |

4. Directors' emoluments

| | 2012 | 2011 |
|------------------------------|---------|---------|
| | £ | £ |
| Emoluments | 484,912 | 450,346 |
| Stock incentive compensation | 81,493 | 179,273 |
| Pension contribution | 5,480 | 5,480 |
| | <hr/> | <hr/> |
| | 571,885 | 635,099 |
| | <hr/> | <hr/> |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

4. Directors' emoluments (continued)

| | 2012 | 2011 |
|--|----------------|----------------|
| | £ | £ |
| Remuneration of the highest paid director | | |
| Emoluments | 247,354 | 225,000 |
| Stock incentive compensation | 53,752 | 95,912 |
| Pension contribution | 5,480 | 5,480 |
| | <u>306,586</u> | <u>326,392</u> |

5. Share-based payments

The Company has a stock compensation plan which was a scheme introduced in 2007 to increase the emphasis on stock based incentive compensation and align the compensation of its key employees with the long term interest of shareholders. Under the terms of this plan, IBG, Inc stock was granted and issued to directors, officers, employees, contractors and consultants of IBG, Inc and its subsidiaries.

The Stock Incentive Plan ("SIP Plan") and 2007 ROI Unit Stock Plan ("2007 ROI Unit Stock Plan") provided for a portion of certain key employee compensation to be granted in the form of stock units. Under the SIP Plan and 2007 ROI Unit Stock Incentive Plan, stock units granted to employees had various vesting provisions and generally converted to common stock within seven years. Such units are restricted from sale, transfer or assignment until the end of the restriction period. The number of stock units credited was a function of the amount awarded to each participant and the closing fair market value of the parent company common stock on grant date. During the years ended 31 December 2012 and 2011, the Company recognised compensation expenses of £332,506 and £336,589 respectively, related to these plans. As at 31 December 2012 and 2011, there are £203,891 and £184,371 respectively, of total unrecognised compensation costs related to stock based compensation granted under the SIP Plan which is expected to be recognised over a weighted average period of approximately seven years.

For the year ended 31 December 2012, Company employees were granted awards of 33,124 shares of Common Stock (2011 23,278 shares of Common Stock), with a fair value at the date of grant of £292,802 (2011 £222,724) based upon the December 2012 Volume Weighted Average Price ("VWAP") (\$14.37 (2011 \$14.86)) of IBG, Inc's Common Stock. No shares were granted under the 2007 ROI Unit Stock Incentive Plan during 2012 or 2011.

| | The Stock Incentive Plan Shares | 2007 ROI Unit Stock Incentive Plan Shares |
|---------------------------------------|---------------------------------------|--|
| | No. | No. |
| Balance as at 31 December 2011 | 64,811 | 2,683 |
| Granted to employees | 33,124 | - |
| Forfeited by employees | (697) | - |
| Distributed to employees | (11,391) | (1,341) |
| Balance as at 31 December 2012 | <u>85,847</u> | <u>1,342</u> |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

6. Interest receivable

| | 2012 | 2011 |
|--|------------------|----------------|
| | £ | £ |
| Interest receivable from London Clearing House | 110,201 | 78,396 |
| Interest receivable from banks and market counterparties | 68,413 | 141,559 |
| Government bonds | 31,368 | 93,076 |
| Interest receivable on inter-company balances | 104,018 | 91,403 |
| Interest receivable from clients | 821,054 | 156,217 |
| | <u>1,135,054</u> | <u>560,651</u> |

7. Interest payable

| | 2012 | 2011 |
|---|----------------|----------------|
| | £ | £ |
| Interest payable to London Clearing House | 6,966 | 2,467 |
| Interest payable to banks and market counterparties | 177,992 | 3,113 |
| Premium on government bonds | 2,474 | - |
| Interest payable on inter-company balances | 192,411 | 182,788 |
| Interest payable to clients | 103,116 | 4,446 |
| | <u>482,959</u> | <u>192,814</u> |

8. Tax charge on profit on ordinary activities

| | 2012 | 2011 |
|--|----------------|----------------|
| | £ | £ |
| Analysis of tax charge on ordinary activities | | |
| Current tax | | |
| UK Corporation Tax at 24.5% * (2011 26.5%) | 423,817 | 340,372 |
| Prior year adjustment | (40,062) | (1,039) |
| | <u>383,755</u> | <u>339,333</u> |
| Deferred tax | | |
| Current year | (9,863) | (22,622) |
| Prior year adjustment | - | - |
| | <u>373,892</u> | <u>316,711</u> |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

8. Tax charge on profit on ordinary activities (continued)

| | 2012 | 2011 |
|--|-----------|-----------|
| | £ | £ |
| Factors affecting tax charge for the current period | | |
| Profit on ordinary activities before tax | 1,457,615 | 1,033,348 |
| Tax at 24.5% * (2011 26.5%) thereon | 357,116 | 273,766 |
| Expenses not deductible for tax purposes | 19,177 | 13,180 |
| Depreciation in excess of capital allowances | 2,296 | 4,772 |
| Other short-term timing differences | 45,228 | 48,654 |
| Adjustments in respect of prior years | (40,062) | (1,039) |
| Current tax for period | 383,755 | 339,333 |

*Tax rate reduced from 28% to 26% on 1 April 2011 and from 26% to 24% on 1 April 2012. Rate shown is weighted average for the periods

9. Tangible fixed assets

| | Leasehold improvement | Fixtures and fittings | Computer equipment | Total |
|------------------------|--------------------------|--------------------------|-----------------------|---------|
| | £ | £ | £ | £ |
| Cost | | | | |
| As at 1 January 2012 | 104,755 | 68,791 | 59,088 | 232,634 |
| Additions | - | - | 12,351 | 12,351 |
| Retired assets | - | - | (5,857) | (5,857) |
| As at 31 December 2012 | 104,755 | 68,791 | 65,582 | 239,128 |
| Depreciation | | | | |
| As at 1 January 2012 | 63,661 | 61,726 | 37,442 | 162,829 |
| Charge for the year | 9,670 | 4,401 | 19,476 | 33,547 |
| Retired assets | - | - | (5,857) | (5,857) |
| As at 31 December 2012 | 73,331 | 66,127 | 51,061 | 190,519 |
| Net Book Value | | | | |
| At 31 December 2012 | 31,424 | 2,664 | 14,521 | 48,609 |
| At 31 December 2011 | 41,094 | 7,065 | 21,646 | 69,805 |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

10. Fixed asset investments – available for sale

| | 2012 | 2011 |
|-------------------|------------------|----------------|
| | £ | £ |
| As at 1 January | 297,619 | 297,619 |
| Additions | 184,317 | - |
| Revaluations | 1,885,675 | - |
| As at 31 December | <u>2,367,611</u> | <u>297,619</u> |

As at December 2012, included in fixed asset investments is the Company's shareholding of 362,903 ordinary shares in LCH Clearent Group Limited ("LCH"). The holding is classified as available for sale and is stated at a fair value of £2,183,294 (2011 £297,619).

As at December 2011, the investment was stated at its original cost of £297,619, which approximated its fair value as the shares were not quoted in an active market and were subject to restrictions on transferability.

On 9 March 2012, London Stock Exchange Group PLC ("LSE") and LCH announced that they had reached agreement on the terms of a recommended cash offer to be made by London Stock Exchange (C) Limited, a wholly owned subsidiary of LSE, for LCH issued share capital. On completion, the LSE Group would have held 60% of the LCH issued share capital. Under the terms of the transaction, accepting shareholders would have received cash consideration of €19 per share, payable on completion and a special dividend of €1, payable in 5 years post completion, reduced by any claims made by LSE against LCH within the 5 years.

On 24 December 2012, LSE and LCH announced that the terms of the transaction were being renegotiated due to changing regulatory legislation for capital requirements. Under the revised terms of the transaction, accepting LCH shareholders would receive cash consideration of €14 per share on completion and a further €1 per share in 2017.

On 7 March 2013, LSE and LCH announced that they had reached agreement on those revised terms for the cash offer. This was approved by shareholders of LCH on 27 March 2013. On completion, the LSE Group will hold up to a further 55.5% of the LCH issued share capital.

In December 2012, the Directors decided to increase their valuation of the shares held in LCH, reflecting the price agreed between the two parties discounted by the ongoing uncertainty surrounding the transaction at that time.

As at December 2012, also included in fixed asset investments are shares in an unlisted investment, stated at their original cost of £184,317 (2011 £Nil), which approximates the fair value of the investment as the shares are not quoted in an active market and are subject to restrictions on transferability.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

11. Debtors

| | 2012 | 2011 |
|--------------------------------------|--------------------|-------------------|
| | £ | £ |
| Trade debtors | 247,357,792 | 98,519,307 |
| Amounts owed from group undertakings | 31,050 | 445,415 |
| Other debtors | 59,484 | 28,813 |
| | <u>247,448,326</u> | <u>98,993,535</u> |

12 Creditors: amounts falling due within one year

| Other financial liabilities | 2012 | 2011 |
|------------------------------------|--------------------|--------------------|
| | £ | £ |
| Trade creditors | 167,243,782 | 51,454,724 |
| Amounts owed to group undertakings | 85,319,667 | 48,184,783 |
| UK Corporation Tax | 162,606 | 151,851 |
| Accruals and deferred income | 1,004,294 | 1,195,513 |
| Deferred tax liability | 465,153 | - |
| | <u>254,195,502</u> | <u>100,986,871</u> |

13 Deferred taxation

| | 2012 | 2011 |
|---|------------------|----------------|
| | £ | £ |
| As at 1 January | 160,224 | 137,602 |
| Credited to the profit and loss account | 9,863 | 22,622 |
| Debited to the fair value reserve | (465,153) | - |
| As at 31 December | <u>(295,066)</u> | <u>160,224</u> |

| Analysis of deferred tax balance | 2012 | 2011 |
|--|------------------|----------------|
| | £ | £ |
| Depreciation in excess of capital allowance | 411 | (1,895) |
| Revaluation of investment | (465,153) | - |
| Short term timing differences | 169,676 | 162,119 |
| Deferred tax (liabilities)/assets recognised | <u>(295,066)</u> | <u>160,224</u> |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

14. Share capital

| | 2012 | 2011 |
|--------------------------------------|---------|---------|
| | No. | No. |
| Authorised | | |
| A ordinary shares of £1 each | 700 | 700 |
| B ordinary shares of €1 each | 125,000 | 125,000 |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| As at 31 December | 79,332 | 79,332 |
| | <hr/> | <hr/> |

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

15. Reconciliation of movements in shareholders' funds

| | 2012 | 2011 |
|---|-------------------|-------------------|
| | £ | £ |
| Shareholders' funds as at 1 January | 25,351,572 | 24,634,935 |
| Profit for the financial year | 1,083,723 | 716,637 |
| Revaluation of investment net of deferred tax | 1,420,582 | - |
| | <hr/> | <hr/> |
| Shareholders' funds as at 31 December | 27,855,877 | 25,351,572 |
| | <hr/> | <hr/> |

16. Statement of movements on reserves

| | Capital contribution | Fair value reserve | Profit and loss account | Total |
|----------------------------------|-------------------------|-----------------------|----------------------------|-------------------|
| | £ | £ | £ | £ |
| Balance as at 1 January | 14,220,668 | - | 11,051,572 | 25,272,240 |
| Profit for the financial year | - | - | 1,083,723 | 1,083,723 |
| Revaluation of investment | - | 1,420,582 | - | 1,420,582 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance as at 31 December | 14,220,668 | 1,420,582 | 12,135,295 | 27,776,545 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

17. Client money

The Company is responsible for the stewardship of client monies. These responsibilities are defined in the Company's Client Money Policy, and include the appointment and periodic review of the institutions with which client money is deposited. The policy is that all financial institutional counterparties holding client money on deposit should have at least a minimum credit agency rating of AA-. In some operating jurisdictions, where accounts are maintained to provide local banking facilities for clients, it may be difficult to find a counterparty meeting these requirements. If this were the case, balances held with such counterparties would be minimised.

At 31 December 2012, £27,409,944 of client money was held by the Company (2011: £11,163,110).

18. Immediate and ultimate controlling company and related party disclosures

The Company's immediate and ultimate controlling party is IBG LLC, a company incorporated in the USA. This is the largest group in which the results of the Company are consolidated. Copies of the IBG LLC financial statements are available from 2 Pickwick Plaza, Greenwich, Connecticut, 06830, United States of America.

The Company has taken advantage of the exemption from reporting related party transactions with group undertakings under paragraph 3(d) of Financial Reporting Standard No. 8.

19. Financial instruments and risk management

Overall

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

At the parent company 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 therefore 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 customer trading transactions. Its market risk policy incorporates the hedging of all trades from its customers. Exposure to market price fluctuations is generally limited to residual currency balances different to the Company's functional currency, derived from operational activities. This is monitored and cleared 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 As at 31 December 2012

19. Financial instruments and risk management (continued)

Market risk (continued)

The Company's exposure to foreign exchange risk was as follows

| | 2012 | 2011 |
|--------------|-----------|-----------|
| | £ | £ |
| US Dollars | (365,932) | 100,237 |
| Euros | 1,505,976 | (255,880) |
| Swiss Francs | (92,816) | (103,006) |
| Others | (202,841) | (83,746) |

Credit risk

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

- A 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 customer securities transactions. Execution of these transactions includes the purchase and sale of securities by the Company that exposes the Company to default risk arising from the potential that customers 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 customers or counterparties. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

The Company operates a real time mark-to-market trading platform with clients' profits and losses being credited and debited automatically to their account. Customer 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 a client's risk positions appropriately if liquidation thresholds are broken.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

19. Financial instruments and risk management (continued)

Credit risk (continued)

As at 31 December 2012 and 2011, the Company did not have past due or impaired receivables and the receivables are expected to be recovered during the normal course of business. 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.

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 counter party and market conditions. As at 31 December 2012 and 2011, 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 assets consist of margin deposits with clearing houses. The Company's exposure to interest rate risk is considered by the Board 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 have been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on or accrue to those assets and liabilities.

| 2012 | Weighted average effective interest rate | Less than 1 month | 1 to 3 months | 3 months to 1 year | More than 1 year | Total |
|------------------------------------|--|-------------------------|------------------|-----------------------|---------------------|-------------|
| | % | £ | £ | £ | £ | £ |
| Financial assets | | | | | | |
| Non-interest bearing | - | 59,484 | - | - | 2,367,611 | 2,427,095 |
| Variable interest rate instruments | 0.01 | 276,223,820 | - | - | - | 276,223,820 |
| Fixed interest rate instruments | 0.01 | 3,100,000 | - | - | - | 3,100,000 |
| Financial liabilities | | | | | | |
| Non-interest bearing | - | - | 1,632,053 | - | - | 1,632,053 |
| Variable interest rate instruments | - | 252,563,449 | - | - | - | 252,563,449 |

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

19. Financial instruments and risk management (continued)

Liquidity and interest rate risk (continued)

| 2011 | Weighted average effective interest rate | Less than 1 month | 1 to 3 months | 3 months to 1 year | More than 1 year | Total |
|------------------------------------|--|-------------------------|------------------|-----------------------|---------------------|-------------|
| | % | £ | £ | £ | £ | £ |
| Financial assets | | | | | | |
| Non-interest bearing | - | 28,813 | - | - | 297,619 | 326,432 |
| Variable interest rate instruments | 0.01 | 111,263,824 | - | - | - | 111,263,824 |
| Fixed interest rate instruments | 0.01 | 14,446,567 | - | - | - | 14,446,567 |
| Financial liabilities | | | | | | |
| Non-interest bearing | - | - | 1,347,364 | - | - | 1,347,364 |
| Variable interest rate instruments | - | 99,639,507 | - | - | - | 99,639,507 |

Fair value of financial instruments

At 31 December 2012 and 2011, all of the Company's financial assets and financial liabilities were carried at fair value or at amounts that approximate fair value. In determining fair value, all investments with the exception of investments held for sale, are classified within Level 1 of the fair value hierarchy, and are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

As stated in note 10, as at December 2012, included in fixed asset investments is the Company's shareholding of 362,903 ordinary shares in LCH Clearnet Group Limited ("LCH"). The holding is classified as available for sale and is stated at a fair value of £2,183,294.

As at December 2011, the investment was stated at its original cost of £297,619, which approximated its fair value as the shares were not quoted in an active market and were subject to restrictions on transferability. This would be classified within Level 3 of the fair value hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In December 2012, the Directors decided to increase their valuation of the shares held in LCH, reflecting the price agreed between the two parties discounted by the ongoing uncertainty surrounding the transaction at that time. Again, this would be classified within Level 3 of the fair value hierarchy.

As at December 2012, also included in fixed asset investments are shares in an unlisted investment, stated at their original cost of £184,317 (2011: £Nil), which approximates the fair value of the investment as the shares are not quoted in an active market and are subject to restrictions on transferability.

The carrying amount of other financial assets and financial liabilities approximate fair value due to their maturities of less than 1 year.

Interactive Brokers (U.K.) Limited

Notes to the accounts As at 31 December 2012

19. Financial instruments and risk management (continued)

Fair value of financial instruments (continued)

Included within trade debtors and creditors are payables and receivables to customers 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 customers, which the Company has fully hedged with its counterparties as at 31 December 2012, was £55,936,684 (2011 £22,968,850)

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

| | 2012 | 2011 |
|------------------------------|-------------|-------------|
| | £ | £ |
| Financial assets | | |
| Cash | 31,934,978 | 26,745,669 |
| Available for sale | 2,367,611 | 297,619 |
| Loans and receivables | 247,448,326 | 98,993,535 |
| | <hr/> | <hr/> |
| Financial liabilities | | |
| Amortised cost | 254,195,502 | 100,986,871 |
| | <hr/> | <hr/> |

20. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. During the year and prior year, the Company complied with the Financial Services Authority minimum capital requirements.

The capital structure of the Company consists of shareholders' equity comprising issued capital and retained earnings as disclosed in notes 15 and 16.

21. Parent Company

The Company's ultimate controlling entity and immediate parent company is IBG LLC, a company incorporated with limited liability in the United States, controlling directly 100% of the issued share capital of the Company. The parent undertaking of the smallest and largest group, which includes the Company and for which group accounts are prepared, is Interactive Brokers Group, Inc.