

**Company Registration No. 3958476**

**Interactive Brokers (U.K.) Limited**

**Report and Financial Statements**

**For the Year Ended 31 December 2016**

FRIDAY



LD4 \*L66RSROH\* #5  
19/05/2017  
COMPANIES HOUSE

# **Interactive Brokers (U.K.) Limited**

## **Report and Financial Statements 2016**

### **Contents**

<b>Officers and registered office</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Country by country reporting</b>	<b>6</b>
<b>Independent auditor's report to the members</b>	<b>7</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Statement of changes in equity</b>	<b>11</b>
<b>Notes to the accounts</b>	<b>12</b>

# **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, 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 2017, the Company intends to further expand its product and market offerings.

### **Business performance**

Pre-tax profit increased to £18,905k for the year ended 31 December 2016 from £18,353k for the previous year. As at 31 December 2016, the Company was the carrying broker for 31,189 clients (2015: 26,785).

## **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 therefore 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 through an annual review of the creditworthiness of existing 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 its 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 customer accounts increased 16.4% to 31,189 for the year ended 31 December 2016 from 26,785 for the previous year.

Net commissions decreased to £37,297k for the year ended 31 December 2016 from £37,864k 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 ultimate parent company's website.

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



Gerald Perez  
Director  
26 April 2017

# **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 2016.

## **Results and dividends**

The directors report a profit after taxation of £14,818k for the year ended 31 December 2016 (2015: £14,624k). No dividends are proposed (2015: £nil).

## **Directors**

Thomas Peterffy, Gerald Perez, Yograj Aggarwal and Jonathan Chait have been directors of the Company throughout the year. Earl Nemser and Paul Brody were appointed as directors on 21 March 2016.

## **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 2016 (2015: £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 26 April 2017, 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 company 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  
26 April 2017

## **Interactive Brokers (U.K.) Limited**

### **Country by country reporting**

Interactive Brokers (U.K.) Limited 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 UK 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, index futures and options to its carried clients and affiliates. It is incorporated in the United Kingdom and based in London. The Company does not have branches, but has one subsidiary, Interactive Brokers (U.K.) Nominee Limited.
- Total turnover for 2016 was £37,297k, all derived from the UK.
- During 2016, the average number of direct employees on a full-time equivalent basis was 22, all of whom are based in the UK. Technology infrastructure and certain support functions are provided by the Group affiliates.
- Profit before tax was £18,905k, all derived from the UK.
- Corporation tax paid was £2,945k.
- The Company did not receive public subsidies in 2016.



# **Interactive Brokers (U.K.) Limited**

## **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 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. 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), including FRS 101 "Reduced Disclosure Framework".

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 statement**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

### **Opinion 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 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 and the Directors' Report.

## **Interactive Brokers (U.K.) Limited**

### **Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013**

In our opinion the information given in the CBCR report on page 6 for the financial year ended 31 December 2016 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

#### **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.



James Polson (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK  
26 April 2017

# Interactive Brokers (U.K.) Limited

## Profit and loss account

### For the year ended 31 December 2016

	Notes	2016 £ (in thousands)	2015 £ (in thousands)
<b>Turnover</b>	3	37,297	37,864
Administrative expenses		(26,280)	(23,022)
Other operating income/(expense)		780	(711)
<b>Operating profit</b>	4	11,797	14,131
Finance income	7	14,083	9,782
Finance costs	8	(6,975)	(5,560)
<b>Profit on ordinary activities before taxation</b>		18,905	18,353
Taxation	9	(4,087)	(3,729)
<b>Profit after taxation and profit for the financial year</b>		14,818	14,624
<b>Other Comprehensive Income:</b>			
Items that can be reclassified to profit or loss		-	-
<b>Total comprehensive income for the year</b>		14,818	14,624

All activities are derived from continuing operations.

The notes on pages 12 to 28 form an integral part of the financial statements.

# Interactive Brokers (U.K.) Limited


## Balance sheet

As at 31 December 2016

	Notes	2016	2015
		£ (in thousands)	£ (in thousands)
<b>NON-CURRENT ASSETS</b>			
Tangible assets	10	94	44
Investments	11	167	145
Deferred taxation	12	230	292
		<hr/>	<hr/>
		491	481
<b>CURRENT ASSETS</b>			
Debtors	14	409,509	366,718
Cash and cash equivalents - Client funds	13	680,296	560,253
Cash and cash equivalents - Own funds		27,527	22,957
		<hr/>	<hr/>
		1,117,332	949,928
<b>CREDITORS: amounts falling due within one year</b>	15	<hr/> (1,043,096) <hr/>	<hr/> (890,484) <hr/>
<b>NET CURRENT ASSETS</b>		<hr/> 74,236 <hr/>	<hr/> 59,444 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>74,727</b> <hr/>	<hr/> <b>59,925</b> <hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	79	79
Capital contribution		14,221	14,221
Profit and loss account		60,307	45,489
Other reserves		120	136
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<hr/> <b>74,727</b> <hr/>	<hr/> <b>59,925</b> <hr/>

The notes on pages 12 to 28 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2017. 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 2016

	Share Capital	Capital Contribution	Profit and Loss Account*	Other Reserves**	Total
<i>£ (in thousands)</i>	£	£	£	£	£
<b>Balance at 1 January 2015</b>	79	14,221	30,865	49	45,214
Profit for the period	-	-	14,624	-	14,624
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	14,624	-	14,624
Issue of share capital	-	-	-	-	-
Dividends	-	-	-	-	-
Deferred tax on share-based payment transactions	-	-	-	87	87
<b>Balance at 31 December 2015</b>	79	14,221	45,489	136	59,925
Profit for the period	-	-	14,818	-	14,818
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	14,818	-	14,818
Issue of share capital	-	-	-	-	-
Dividends	-	-	-	-	-
Deferred tax on share-based payment transactions	-	-	-	(16)	(16)
<b>Balance at 31 December 2016</b>	79	14,221	60,307	120	74,727

\*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 12 to 28 form an integral part of the financial statements.

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 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 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 Financial Reporting Council ("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.

#### 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.

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.

# **Interactive Brokers (U.K.) Limited**

## **Notes to the accounts For the year ended 31 December 2016**

### **Financial assets (*continued*)**

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 where 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 investments classified as available for sale, a significant or prolonged decline in the fair value of the security 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 2016**

### **Share-based payments**

The Company operates equity-settled share-based payments schemes to certain employees whereby the employees are awarded stock units in the 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 forfeiture 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 forfeiture 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 forfeit 50% of unvested previously granted awards unless the employee is over the age of 59, in which case the employee would be eligible to receive 100% of unvested awards previously granted.

### **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. It comprises commission and brokerage income 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 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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 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.



# **Interactive Brokers (U.K.) Limited**

## **Notes to the accounts For the year ended 31 December 2016**

### **Taxation (*continued*)**

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.

### **Client money**

Client money for clients held directly by Interactive Brokers (U.K.) Limited is held in client money bank accounts segregated from the Company's own funds in accordance with the rules of the Financial Conduct Authority. Client funds and corresponding liabilities are on 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**

Interactive Brokers (U.K.) Limited is exempt from the obligation to prepare and deliver group accounts under s400 of the Companies Act 2006. It 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 where 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. No key judgements, estimates or assumptions have been identified.

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 3. Turnover

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

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
<b>Continuing operations</b>		
Commissions	37,297	37,864
	<u>37,297</u>	<u>37,864</u>

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
<b>Revenue by geographical location</b>		
United Kingdom	37,297	37,864
	<u>37,297</u>	<u>37,864</u>

### 4. Operating profit

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation	31	23
Foreign exchange (gain) / loss	(343)	899
	<u>                    </u>	<u>                    </u>
<b>Services provided by the Company's auditors:</b>		
Audit of the Company's annual accounts	31	22
Audit related assurance services	60	39
Group audit fees allocated to the Company	40	67
Other services relating to taxation	20	60
All other services	15	21
	<u>166</u>	<u>209</u>

# Interactive Brokers (U.K.) Limited

## Notes to the accounts

For the year ended 31 December 2016

### 5. Employee information including directors

	2016	2015
	£ (in thousands)	£ (in thousands)
<b>Employee costs (including directors' emoluments)</b>		
Wages and salary	2,670	1,342
Social security costs	325	184
Pension contribution	34	10
	<u>3,029</u>	<u>1,536</u>
<b>Average number of persons (including directors) employed</b>	<b>No.</b>	<b>No.</b>
Customer Service	7	6
Compliance	7	5
Sales	2	2
Administration	6	3
	<u>22</u>	<u>16</u>

### 6. Directors' emoluments

	2016	2015
	£ (in thousands)	£ (in thousands)
<b>Emoluments</b>	503	501
Stock incentive compensation	254	237
	<u>757</u>	<u>738</u>
<b>Remuneration of the highest paid director</b>		
Emoluments	260	260
Stock incentive compensation	142	137
	<u>402</u>	<u>397</u>

Employer pensions contributions paid by the Company for serving directors are included within emoluments. As at 31 December 2016, retirement benefits are accruing for two directors (2015: two) under defined contribution schemes.

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 7. Finance income

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Bank interest receivable and similar income	818	423
Interest receivable from clients	8,217	5,199
Interest receivable on intercompany balances	5,048	4,160
	<hr/>	<hr/>
	14,083	9,782
	<hr/> <hr/>	<hr/> <hr/>

### 8. Finance costs

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Bank interest payable and similar expense	2,390	1,358
Interest payable to clients	73	44
Interest payable on intercompany balances	4,512	4,158
	<hr/>	<hr/>
	6,975	5,560
	<hr/> <hr/>	<hr/> <hr/>

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 9. Taxation

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
<b>Analysis of tax charge on ordinary activities</b>		
<b>Current Tax</b>		
U.K. Corporation tax at 20% (2015: 20.25%)	4,053	3,721
Prior year adjustment	41	32
	<hr/> 4,094	<hr/> 3,753
<b>Deferred Tax (see also note 12)</b>		
Current year	21	(30)
Prior year adjustment	(28)	6
	<hr/> (6)	<hr/> 6
<b>Total tax charge for period</b>	<hr/> <hr/> 4,087	<hr/> <hr/> 3,729

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
<b>Factors affecting total tax charge</b>		
Profit before taxation	<hr/> 18,905	<hr/> 18,353
Tax at 20% (2015: 20.25%) thereon:	3,781	3,716
Expenses not deductible for tax purposes	260	12
Change in prior year adjustments	13	38
Effect of tax rate differences between current and deferred tax	(45)	(6)
Share based payments reconciling items	78	(31)
	<hr/> 78	<hr/> (31)
<b>Total tax expense for the year</b>	<hr/> <hr/> 4,087	<hr/> <hr/> 3,729

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 10. Tangible assets

	Leasehold Improvements	Fixtures and Fittings	Office Equipment	Computer Equipment	Total
<b>Cost £ (in thousands)</b>					
As at 1 January 2016	1	14	-	49	64
Additions	-	12	7	61	80
Retired assets	-	-	-	(16)	(16)
As at 31 December 2016	1	26	7	94	128
<b>Depreciation £ (in thousands)</b>					
As at 1 January 2016	-	-	-	(20)	(20)
Charge for the year	-	(3)	(1)	(27)	(31)
Retired assets	-	-	-	17	17
As at 31 December 2016	-	(3)	(1)	(30)	(34)
<b>Net book value £ (in thousands)</b>					
As at 31 December 2016	1	23	6	64	94
As at 31 December 2015	1	14	-	29	44

### 11. Investments

#### Available for sale

	2016	2015
	£ (in thousands)	£ (in thousands)
As at 1 January	145	176
Revaluation	22	(31)
<b>As at 31 December</b>	<b>167</b>	<b>145</b>

The available-for-sale investment is unlisted for which there is no readily available market price. As such, the fair value of unlisted securities is 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 2016

### 12. Deferred taxation

	2016	2015
	£ (in thousands)	£ (in thousands)
As at 1 January	292	223
Deferred tax movement	(62)	69
<b>As at 31 December</b>	<b>230</b>	<b>292</b>
<b>Analysis of deferred taxation balance</b>		
Depreciation in excess of capital allowances	(6)	(5)
Short term timing differences	236	297
<b>Deferred tax assets recognised</b>	<b>230</b>	<b>292</b>

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. Client money

The Company segregates all money held by it on behalf of its clients in accordance with the Financial Conduct Authority's CASS rules. All segregated client money is held in dedicated accounts at banks as required by those rules, and is segregated from the Company's own funds. As at 31 December 2016 £680,296k of client money was held by the Company (2015: £560,253k).

The protection of client money is of fundamental importance to the Company. It has comprehensive client money processes and procedures to ensure client money is identified and protected at the earliest point after receipt as well as governance structures in place which ensure such activities are subject to ongoing review and are effective in providing the greatest possible protection.

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 14. Debtors

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Trade debtors	363,458	307,339
Amounts owed from group undertakings	45,302	58,824
Other debtors	307	257
Prepayments and accrued income	442	298
	<u>409,509</u>	<u>366,718</u>

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.

### 15. Creditors

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Trade creditors	930,451	796,886
Amounts owed to group undertakings	107,252	91,400
Corporation tax	2,063	968
Accruals and deferred income	1,742	977
Deferred tax liability	-	5
Other creditors	1,588	248
	<u>1,043,096</u>	<u>890,484</u>

Collateral	2016		2015	
	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>52,497</u>	<u>52,497</u>	<u>37,480</u>	<u>37,480</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 2016 are summarised per above.



# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 16. Called up share capital

	2016	2015
Authorised	No.	No.
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>                    </u>	<u>                    </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.

### 17. Operating lease arrangements

	2016	2015
	£ (in thousands)	£ (in thousands)
Lease payments under operating leases recognised as an expense in the year	357	197
	<u>                    </u>	<u>                    </u>

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:

	2016	2015
	£ (in thousands)	£ (in thousands)
Within one year	807	357
In the second to fifth years inclusive	3,761	4,568
After five years	1,160	1,160
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 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, comprehensive risk management procedures have been established to identify, monitor and control each of these principal 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 client trading transactions. Its 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. This is monitored and cleared on a regular basis.

The directors consider that the Company has no significant exposure to market risk. The Company's exposure to foreign exchange risk was as follows:

	2016	2015
	<i>£ (in thousands)</i>	<i>£ (in thousands)</i>
Chinese Yuan	(650)	(19)
Euros	4,547	(181)
Singapore Dollars	(5,956)	64
Swiss Francs	664	223
US Dollars	6,658	296
Other	2,514	372

# **Interactive Brokers (U.K.) Limited**

## **Notes to the accounts For the year ended 31 December 2016**

### **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 by the Company 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 customer 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.

As at 31 December 2016 and 2015, the Company did not have past due or impaired receivables. 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 2016

### 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 2016 and 2015, 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 are based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will be earned on or accrued to those assets and liabilities.

2016	Weighted avg. effective interest rate %	Less than 1 month £	1 to 3 months £	3 months to 1 year £	More than 1 year £	Total £
<b>Financial Assets £ (in thousands)</b>						
Non interest bearing	-	(22,602)	-	-	167	(22,435)
Variable interest rate instruments	1.36%	1,139,492	-	-	-	1,139,492
<b>Financial Liabilities £ (in thousands)</b>						
Non interest bearing	-	57,167	-	-	-	57,167
Variable interest rate instruments	0.72%	985,929	-	-	-	985,929
2015	Weighted avg. effective interest rate %	Less than 1 month £	1 to 3 months £	3 months to 1 year £	More than 1 year £	Total £
<b>Financial Assets £ (in thousands)</b>						
Non interest bearing	-	23,054	-	-	145	23,199
Variable interest rate instruments	1.14%	926,578	-	-	-	926,578
<b>Financial Liabilities £ (in thousands)</b>						
Non interest bearing	-	47,768	-	-	-	47,768
Variable interest rate instruments	0.74%	842,717	-	-	-	842,717

# Interactive Brokers (U.K.) Limited

## Notes to the accounts For the year ended 31 December 2016

### 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 2016, was £478.1 million (2015: £324.2 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.

	2016	2015
	£ (in thousands)	£ (in thousands)
<b>Financial assets</b>		
Cash	707,822	583,210
Available for sale	167	145
Loans and receivables	409,067	366,420
	<u>                    </u>	<u>                    </u>
<b>Financial liabilities</b>		
Amortised cost	1,043,096	890,494
	<u>                    </u>	<u>                    </u>

## 19. Contingent liabilities

At 31 December 2016, the Company had no contingent liabilities (2015: 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 incorporated in the United States. Copies of the financial statements of IBG, LLC are available from 1 Pickwick Plaza Greenwich, CT, 06830, USA.

# **Interactive Brokers (U.K.) Limited**

## **Notes to the accounts For the year ended 31 December 2016**

### **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 2016 was £74.7 million (2015: £59.9 million). Regulatory capital is determined in accordance with minimum capital requirements of the Financial Conduct Authority in the UK.

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 UK for supervisory purposes. Disclosures required under Pillar 3 can be found on Interactive Brokers Group's website.

Regulatory capital requirements have been met throughout the financial year ended 31 December 2016.

### **22. Subsequent events**

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