

# INTERACTIVE INVESTOR SERVICES LIMITED

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Company Registration No. 02101863 (England and Wales).

INTERACTIVE INVESTOR SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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# INTERACTIVE INVESTOR SERVICES LIMITED

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## COMPANY INFORMATION

<b>Directors</b>	Barry Bicknell
	Richard Wilson
<b>Company number</b>	02101863
<b>Registered office</b>	Exchange Court
	Duncombe Street
	Leeds
	LS1 4AX
<b>Statutory Auditor</b>	Deloitte LLP
	Statutory Auditor
	1 City Square
	Leeds
	LS1 2AL

# INTERACTIVE INVESTOR SERVICES LIMITED

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## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report for Interactive Investor Services Limited ('the Company') for the year ended 31 December 2020.

#### Principal activities

The business of the Company is the provision of direct to consumer (D2C) investment services in the UK via the Interactive Investor brand. The Company is regulated by the Financial Conduct Authority.

#### Review of the business

The Company continued to go from strength to strength in 2020, achieving sustainable revenue and operating profit growth, maintaining robust capital and liquidity positions while also delivering on its strategic objectives.

Net revenue for the year was £121.5m (2019: £84.1m), a year-on-year increase of 45%. A number of elements have driven this significant increase.

The market uncertainty resulting from COVID-19 caused established investors to review their portfolios: both the investments they held and the costs associated with administering these. ii saw record numbers of in-bound account transfers and record new customer acquisition as investors sought to benefit from our transparent, flat fees and reliable trading platform. ii received 41k inbound transfer requests (2019: 27k), an increase of 55% on the previous year, with an average transfer value of £100k.

Our message of a transparent and modern pricing model which delivers clarity and long-term savings is increasingly resonating with the UK public, driving record increases in client acquisition and AUA inflow.

We welcomed 41,796 new clients in the year (2019: 15,431) onto our platform, an increase of 171% on the previous year with an average AUA of £60,035. New and existing clients created net AUA inflow of £4.3bn (2019: £1.7bn), an increase of 156%. The average AUA of an ii customer is currently £131,958.

Our focus on our SIPP product continues and in 2020 we removed our additional pension drawdown fees and established an introductory 6 month free period for all new SIPPs. We added a total of 10k SIPP accounts (2019: 5k), up 93% with net AUA inflows of £1.4bn (2019: £1bn), up 36%, with an average value of £131k. Of these, 6.5k were new clients to ii (2019: 3.5k), representing 87% YoY growth in clients joining the business in order to open a SIPP.

This year we've also seen strong growth in our ISA product adding 33k accounts (2019: 13k), up 154% and net AUA inflows of £1.6bn (2019: £0.8bn) an increase of 97%.

Our clients are increasingly including non-UK markets in their investment criteria. ii is the only major D2C platform with multi-currency capability and direct market access allowing ii clients to trade the actual overseas equity rather than a UK ("CREST Depository Interest") facsimile. We also introduced an online process for our clients to submit tax information for US trading. These various factors saw our total international trades increase 208% during 2020.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## STRATEGIC REPORT CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

Whilst an increase in market volatility has played a part in the increase in our commission income, we are pleased with the growth in our non-financial metrics demonstrating the continued longer-term growth in ii.

Furthermore, we have again demonstrated the operational leverage in the ii business model, recording profit before tax (excluding amortisation of acquisition intangibles and exceptional items) of £42.6m (2019: £19.9m) a year-on-year increase of 114%.

During 2020, the Group delivered successfully the following notable strategic objectives which the directors believe have delivered a considerable increase in value for shareholders.

On 3<sup>rd</sup> July 2020, we completed the acquisition of Share Plc for consideration £49.2m of issued share capital and £12.6m of cash and the vast majority of these clients migrated to the ii platform on the 5<sup>th</sup> February 2021. We are now working on migrating the residual D2C clients and winding up Share's non-core activities. As outlined in the Events after the reporting period Note 24, this migration has not affected 2020 accounts.

On 5<sup>th</sup> March 2021, we announced the acquisition of the EQi D2C business from Equiniti Group Plc. This acquisition, funded from the Company's existing resources, will be our 4<sup>th</sup> major acquisition in 4 years and will increase our customer base to 400k and assets under administration to £50bn.

Simplifying our business in order that we can focus on our core D2C clients continues and we have made progress on a number of key initiatives. During the period we migrated the Internaxx clients base to Swissquote following the sale of this business in March 2019. We took the decision to close our media operations, closing the Moneywise and Money Observer publications.

### Future developments

In addition to the migrations of Share D2C clients in 2021 and the acquisition of the EQi D2C business outlined above, the Company will continue to invest in technology in relation to the customer proposition and look for strategic business opportunities to enhance growth during the forthcoming year.

While there remains uncertainty as to the impacts of the COVID-19 pandemic on the UK economy, the Company's operational resilience combined with its financial strength make it very well placed to continue to trade profitably.

In response to the pandemic, the Company has prioritised the welfare of its employees, while maintaining operational service for its clients. The majority of employees are working from home and clients continue to have access to all of the services the Company normally provides.

The Company has considered its forecast operational, capital and liquidity position in the event of severe but plausible stress scenarios, one of which now includes an extended and more disruptive pandemic scenario. The Company's forecasts show it to maintain sufficient capital and liquidity over a three-year forecast horizon. The Board considered in depth the impact of Covid-19 on the Company's going concern status and the relevant disclosures are set out on the Directors' report and note 1.4.

# INTERACTIVE INVESTOR SERVICES LIMITED

## STRATEGIC REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### Key Performance Indicators

The Directors use the following measures to judge performance:

	31 Dec 2020	31 Dec 2019
Revenue	£121,338,000	£84,051,000
Profit before taxation	£42,055,000	£10,276,000
Revenue growth	44%	19%
Revenue per customer	£440	£333
Adjusted profit before tax	£42,560,000	£19,863,000
Total customers	276,676	272,548
Net AUA inflow	£4.33billion	£1.69billion

Total customers gives an indication of the Company's subscription fee revenue stream and excludes dormant clients. Net inflows of assets under administration ('Net AUA inflow') is a measure of the net inflows and outflows arising from customer activity on the ii trading platform. Revenue per customer is the average revenue earned per customer. The adjusted profit before tax ('PBT') is presented to eliminate the impact of non-recurring exceptional expenses relating to acquisitions, disposals and integrations undertaken by the Company during the year. This enables analysis of the ongoing revenue and expenses of the Company, and transparent comparison of year on year performance.

The following adjustments were made during the year to arrive at Adjusted PBT:

	Notes	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Profit before taxation		42,055	10,276
Amortisation of acquisition intangibles	9	1,514	277
Exceptional items	8	(1,009)	9,310
Adjusted PBT		<u>42,560</u>	<u>19,863</u>

### s172 statement

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of

the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;

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## STRATEGIC REPORT CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board is committed to effective engagement with all of its stakeholders. The Board and its Committees regularly receive reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators and investors, which they take into account in their discussions and in their decision-making process under section 172.

The Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate. Some of the ways in which the Board has engaged directly with stakeholders over the year are shown below:

#### *Customers*

Our customers are at the centre of what we do and the Board has sought to ensure that the customer's viewpoint is taken into account in its decision-making. The Board reviews strategy and monitors performance during the year with the aim of meeting customers' needs more effectively; receives regular competitor updates to understand the Company's competitive performance and its strengths and weaknesses as regards meeting customer needs; benchmarks the Company's performance in relation to customers using independent user experience metrics.

#### *Employees*

The growth of Interactive Investor as an organisation is heavily underpinned by the strength of our talent. We have built diverse and inclusive teams across technology, customer services, operations and central functions, and encourage collaboration with our regular town hall meetings and all staff calls. We have created two employee-led forums, to voice opinions on areas that are central to our employee proposition: wellbeing and diversity & inclusion. In addition, we consulted with employees as to our office location strategy and, in particular, the selection of an alternative location in Leeds, which was completed during 2020. In response to government guidelines during the pandemic, the majority of employees have been working from home in 2020.

Autonomy and ownership are at the centre of our employee experience and we are building a learning portfolio to encourage our people to develop their personal and professional skills and grow with us. We are keen that our employer brand reflects how our people feel about working at interactive investor. Our engagement activity helps us continue to build our employee proposition, which will support in the acquisition of new talent to the business.

#### *Regulators*

As the Company is regulated by the FCA, proactive engagement with regulators is imperative, and Members of the Board regularly meet with regulators while maintaining regular ongoing correspondence. In 2020, there was increased engagement not only with the FCA but also with the PRA as a result of the IIL Group's acquisition of ATS in 2019, an

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## STRATEGIC REPORT CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

entity licensed as a bank. The acquisition of Share Plc in July 2020 will mean a continued high level of interaction with regulators in 2021 and beyond.

#### *Shareholders*

The Board is committed to driving shareholder value and operating profit growth, while protecting shareholder investment through effective governance and risk management. The Directors openly engage with the Company's shareholders and investors, with regular communication of strategy and objectives, as well as of performance. All shareholder feedback is properly considered and responded to.

#### *Decision making*

The needs and interests of key stakeholders, and the impact of strategic decisions on these stakeholders, is considered by the board throughout the decision-making process. Furthermore, the Board delegates governance and decision-making authority to certain key committees, including the people committee, customer committee, and client asset oversight committee, who have specific regard for the factors relevant to their respective stakeholders.

### **Principal risks and uncertainties**

#### *Risk management*

The Company maintains a Risk Appetite Framework which includes a full suite of Risk Appetite Statements for all risk categories within its risk nomenclature. Ultimate accountability for setting Risk Appetite sits with the Directors, and the Enterprise Risk function works closely with Executive members to communicate and embed risk appetite across the business, building a strong risk aware culture and informing decision making. A full suite of Key Risk Indicators ('KRIs') has been developed to allow for the timely and accurate identification of when the Company's risk exposures are nearing, or breaching, agreed appetite. The status of all KRIs is reported monthly, with a focus on any management actions required to manage any identified exposures appropriately. The underlying risks of the business are comprised of both 'bottom up' risks, which are identified, assessed and subsequently monitored through the Group's Risk and Control Self-Assessment, and 'top down' risks which are developed through regular discussion between Directors and at Executive Committee meetings, and are typically more strategic in nature. The overall risk profile, incorporating both sets of risk information, is discussed on a regular basis with identified risk owners, and reported to the Directors and Executive Committee.

#### *Interest rate risk*

Whilst the Company is exposed to interest rate risk, this is mitigated through careful management of its cash portfolio and interest payable on its product range. This management is particularly relevant given the ongoing impact of COVID-19, and any further impact on interest rates. These sensitivities are detailed in note 23. The Company has a diversified revenue stream and is not solely reliant on net interest as an income source. Management considers, therefore, that interest rate risk is adequately managed. In accordance with FCA regulations, the company stress tests interest rate risk on a quarterly basis against a 200 basis point (2%) parallel fall in interest rates. In the current near zero interest rate environment this means assuming no interest income.

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## STRATEGIC REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### *Credit risk*

Credit risk is a risk area for the Company due to trading activity by clients. This is managed through offering individual trading limits which incorporate concentration limits on certain stocks and sectors.

### *Competition risk*

Competition pressure in the UK is an ongoing risk for the Company, which could result in it losing clients to key competitors. The Company manages this risk by remaining competitive through offering an excellent standard of service to its clients and a diverse range of products.

### *Operational risk*

The Company is also exposed to Operational risk, being the risk that system or process failure could result in financial loss, regulatory breach or reputational damage, including risks arising as a result of cyber-attacks, data security, fraud and conduct.

As the Company is regulated by the Financial Conduct Authority and under the scope of the Client Assets ('CASS') rules, this includes the risk of failure to adequately protect clients' assets. The Company manages these risks through documented operational processes and controls, and strong governance and oversight from Risk, CASS and other board committees. The Company has a suite of policies that provide clear standards for the management of fraud and conduct risks, while cyber-attacks and data security is managed through the Company's information security team.

These risk mitigations have been brought to bear following the COVID-19 pandemic outbreak. The Company utilised part of its Business Continuity Plan (BCP) and enabled the majority of staff to work remotely in line with government guidelines. The Company has sought confirmation from suppliers of financial and operational continuity and maintains contingency plans in the event of any key supplier outages. The Company's operational services provided to clients prior to the outbreak have continued to operate normally throughout the year.

### *Market risk*

Market risk is defined as the potential reduction in net income, or decrease in value of the Company's balance sheet, arising from adverse market movements. Primarily, this risk arises from foreign exchange movements, as the Company deals with stock and holds cash in a number of currencies and therefore has a small exposure to movements in the currency exchange rates. The Treasury function manages this risk through the appropriate purchase and sale of currencies to match clients' trading requirements. Foreign exchange risk is calculated in accordance with the "Capital Requirements Directive IV" ("CRD IV"). The Group is not exposed to other market movement risks, such as commodity risk.



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## STRATEGIC REPORT CONTINUED

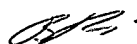
FOR THE YEAR ENDED 31 DECEMBER 2020

### *Pillar III*

The Company adopted Basel II on 1 January 2008. The Basel II Framework consists of three pillars: Pillar I prescribes the risk-focused regulatory capital requirements, Pillar II deals with supervisory review, and Pillar III with market disclosure as a consequence. Pillar III disclosures can be found on the Company website ([www.ii.co.uk](http://www.ii.co.uk)). The regulatory capital position of the Company is included as an appendix to these accounts. Under "Prudential Sourcebook for Investment Firms" ("IFPRU"), companies are required to disclose their capital resource requirement in respect of trading book and non-trading book activities. The company, however, does not have a trading book and as such no disclosures have been made in respect of market risk in respect of trading book activities.

The Company's carbon reporting requirements are satisfied through inclusion in the Interactive Investor Limited group's consolidated financial statements.

Authorised and approved by order of the Board



B Bicknell  
Director  
27 April 2021

# INTERACTIVE INVESTOR SERVICES LIMITED

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## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their annual report and audited accounts for the year ended 31 December 2020. The registered number of the Company is 02101863. Principal risks and uncertainties, future developments, risk management objectives and policies, employee engagement and business relationships disclosures have been considered and included within the Strategic Report above.

#### **Results and dividends**

The income statement for the period is set out on page 18. No dividend was paid or proposed to the equity shareholders (2019: nil).

#### **Directors**

The directors of the Company during the year and up to the date of signing these financial statements were as follows:

Barry Bicknell  
Richard Wilson

The company maintained throughout the year, and at the date of the financial statements, liability insurance for its directors. This is a qualifying provision for the purposes of the Companies Act 2006. During the year, the Company had in force an indemnity provision in favour of one or more directors of the Company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

#### **Disabled employees**

The Company gives full consideration to application for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate. Employees are provided with information about the Company by means of the Company's intranet site. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the Company through bonuses, which are related to the Company's results.

#### **Going concern**

The directors have given careful consideration to the future prospects of the Company in deciding upon the appropriateness of the going concern basis of preparation. This consideration has included current budgets and applying stresses to those budgets reflecting what the board considers to be reasonable adverse developments.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## DIRECTORS' REPORT CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

As part of this assessment, the directors have considered the Covid-19 pandemic and the emergency interest rate cuts announced by the Bank of England and in particular potential impacts on profitability, liquidity, working capital and regulatory capital, as well as the Company's operational resilience.

The Company has maintained its service and support to its customers throughout the pandemic while also maintaining the safety and well-being of staff. The majority of staff have been supplied with laptops and other resources to work from home in line with government guidelines. The Company has sought confirmation from suppliers of financial and operational continuity and maintains contingency plans in the event of any key supplier outages. The Company's operational services continued to operate normally during the lockdown period and its operating platform and other IT systems have demonstrated the required capacity to absorb the demands of customer trade volumes and calls so far.

The Company is well capitalised and retains a high level of cash and cash equivalents. It has also benefited from an increase in profits from trade volumes driven by market volatility in early 2020. Over the next 12 months, while there remains uncertainty as to the ongoing impact of the pandemic, the Company has a sufficiently diversified revenue stream such as not to be over reliant on interest income for profitability. The Company's fixed-fee business model ensures a level of revenue stability during material fluctuations in trading volumes.

The Company maintains a liquidity position in excess of internal and regulatory requirements.

Stress testing performed as part of the ICAAP considered malware attack, pandemic and interest rates and concluded that the Company could expect to retain sufficient regulatory capital and liquidity throughout a period of stress caused by these scenarios.

On this basis the board considers the Company to be a going concern.

### Subsequent events

As referenced in the Strategic Report, on 5<sup>th</sup> February 2021, the vast majority of Share D2C clients were migrated to the ii platform. On 5<sup>th</sup> March 2021, the acquisition of the EQi D2C business from Equiniti Group Plc was announced.

These events have been treated as non-adjusting post balance sheet events as outlined in note 24 Events after the Reporting Period.

There have been no other events between the period ended 31 December 2020 and the date of this report that would require disclosure in the financial statements of the Company.

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## DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

### Directors' statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Authorised and approved by order of the Board



B Bicknell

Director

27 April 2021

# INTERACTIVE INVESTOR SERVICES LIMITED

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE INVESTOR SERVICES LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Interactive Investor Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26.

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

#### Basis for opinion

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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

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

# INTERACTIVE INVESTOR SERVICES LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE INVESTOR SERVICES LIMITED

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

We have nothing to report in this regard.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

# INTERACTIVE INVESTOR SERVICES LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE INVESTOR SERVICES LIMITED

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included compliance with FCA regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud is in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition – we obtained an understanding of the process and relevant controls around revenue recognition, we recalculated the trading income revenue using data analytics supported by substantive testing of a sample of transactions, and performed a combination of substantive analytical and test of detail procedures on the other revenue streams.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE INVESTOR SERVICES LIMITED

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

### **Matters on which we are required to report by exception**

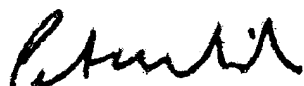
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Birch FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, England

27 April 2021

# INTERACTIVE INVESTOR SERVICES LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 Dec 2020 £'000	31 Dec 2019 £'000
<b>Revenue</b>	<b>5</b>	121,338	84,051
Cost of sales		(16,787)	(12,302)
<b>Gross profit</b>		104,551	71,749
Administrative expenses	<b>3, 4</b>	(62,710)	(61,281)
<b>Operating profit</b>	<b>3, 4</b>	41,841	10,468
Net finance income / (costs)	<b>6</b>	214	(192)
<b>Profit before taxation</b>		42,055	10,276
Tax	<b>7</b>	(6,077)	(391)
<b>Profit for the year</b>		35,978	9,885

There is no further comprehensive income for the year ended 31 December 2020 or 31 December 2019, therefore a statement of other comprehensive income is not presented. All the profit for the current and preceding years is derived from continuing operations.

# INTERACTIVE INVESTOR SERVICES LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Notes	31 Dec 2020 £'000	31 Dec 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary	11	61,827	-
Intangible assets	9	8,083	9,245
Property, plant and equipment	10	2,080	3,262
Right-of-use assets	13	7,794	8,393
Deferred tax asset	18	4,254	8,255
		<u>84,038</u>	<u>29,155</u>
<b>Current assets</b>			
Deferred tax asset	18	2,477	2,475
Trade and other receivables	14	435,070	280,716
Cash and bank balances	12	74,352	48,166
		<u>511,899</u>	<u>331,357</u>
<b>Total assets</b>		<u>595,937</u>	<u>360,512</u>
<b>Current liabilities</b>			
Trade and other payables	15	397,802	247,054
Provisions	17	1,872	2,510
Contract liability	23	417	399
Lease liabilities	16	2,034	2,948
		<u>402,125</u>	<u>252,911</u>
<b>Net current assets</b>		<u>109,774</u>	<u>78,446</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	6,056	5,806
<b>Total liabilities</b>		<u>408,181</u>	<u>258,717</u>
<b>Net assets</b>		<u>187,756</u>	<u>101,795</u>
<b>Equity</b>			
Share capital	20	307,024	288,117
Share premium	20	30,335	-
Share based payment reserve	21	1,989	1,248
Accumulated losses		(151,592)	(187,570)
<b>Total equity</b>		<u>187,756</u>	<u>101,795</u>

The notes 1 to 26 form an integral part of these financial statements. The registered number of the Company is 02101863. The financial statements on pages 18 to 54

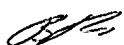
## INTERACTIVE INVESTOR SERVICES LIMITED

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### STATEMENT OF FINANCIAL POSITION

#### AS AT 31 DECEMBER

were approved and authorised for issue on 27 April 2021. They were signed by order of the Board by:



B Bicknell  
Director

# INTERACTIVE INVESTOR SERVICES LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Issued capital  £'000	Share premium  £'000	Share based payment reserve  £'000	Accumulated losses  £'000	Total  £'000
<b>Balance as at 1 Jan 2019</b>		288,117	-	228	(197,455)	90,890
Profit for the year and total comprehensive income		-	-	-	9,885	9,885
Share based payments	21	-	-	1,020	-	1,020
<b>Balance as at 31 Dec 2019</b>		288,117	-	1,248	(187,570)	101,795
<b>Balance as at 1 Jan 2020</b>		288,117	-	1,248	(187,570)	101,795
Profit for the year and total comprehensive income		-	-	-	35,978	35,978
Issue of share capital	20	18,907	30,335	-	-	49,242
Share based payments	21	-	-	741	-	741
<b>Balance as at 31 Dec 2020</b>		307,024	30,335	1,989	(151,592)	187,756

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 ACCOUNTING POLICIES

#### 1.1 GENERAL INFORMATION

Interactive Investor Services Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The Registered Office is Exchange Court, Duncombe Street, Leeds LS1 4AX.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 9. These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interactive Investor Limited. The group accounts of Interactive Investor Limited are available to the public and can be obtained as set out below.

#### 1.2 BASIS OF PREPARATION

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, related party transactions and remuneration to key management personnel.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

Where relevant, equivalent disclosures have been given in the group accounts of Interactive Investor Limited, and copies of the group financial statements may be obtained from:

Interactive Investor Limited  
201 Deansgate  
Manchester  
M3 3NW

The financial statements have been prepared on a historical cost basis. The financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

#### 1.3 FUNCTIONAL CURRENCY

The financial statements are presented in sterling which is also the functional currency of the Company. Transactions in foreign currencies are initially recorded by the entity at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

#### 1.4 GOING CONCERN

As outlined in the Directors' Report, the directors have given careful consideration to the future prospects of the Company in deciding upon the appropriateness of the going concern basis of preparation. This consideration has included current budgets and applying stresses to those budgets reflecting what the board considers to be reasonable adverse developments.

As part of this assessment, the directors have considered the Covid-19 pandemic and the emergency interest rate cuts announced by the Bank of England in 2020 and in particular potential impacts on profitability, liquidity, working capital and regulatory capital, as well as the Company's operational resilience.

The Company has invoked business continuity plans in order to maintain its service and support to its customers throughout the pandemic while also maintaining the safety and well-being of staff. The majority of staff have been supplied with laptops and other resources to work from home in line with government guidelines. The Company has sought confirmation from suppliers of financial and operational continuity and maintains contingency plans in the event of any key supplier outages. The Company's operational services continued to operate

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

normally during the lockdown period and its operating platform and other IT systems have demonstrated the required capacity to absorb the demands of customer trade volumes.

The Company is well capitalised and retains a high level of cash and cash equivalents. It has also benefited from an increase in profits from trade volumes driven by market volatility in 2020. Over the next 12 months, while there remains uncertainty as to the ongoing impact of the pandemic, the Company has a sufficiently diversified revenue stream such as not to be over reliant on interest income for profitability. The Company's fixed-fee business model ensures a level of revenue stability during material fluctuations in trading volumes.

The Company maintains a liquidity position in excess of internal and regulatory requirements.

Stress testing performed as part of the ICAAP considered malware attack, pandemic and interest rates and concluded that the Company could expect to retain sufficient regulatory capital and liquidity throughout a period of stress caused by these scenarios.

On this basis the board considers the Company to be a going concern.

### 1.5 NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

#### ***Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7***

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

#### ***Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16***

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

Neither of these amendments had a material impact on the accounting of the Company.



# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1.6 REVENUE

Revenue represents the amounts (excluding value added tax) derived from trading transactions, account fees, treasury income and advertising.

Point in time revenue is derived from the following types of transactions: commission from the sale of unit trusts and ISAs, equity, derivative and FX trades. All such revenue is billed and recognised as revenue in the period that the transaction occurs i.e. the performance obligation is fulfilled at the point in time of the transaction. Treasury interest is recognised as interest accrues over time.

Account fee revenue represents both custody services that has performance obligations that are fulfilled over time and an element where the performance obligation is fulfilled at the point in time of the transaction via a trading credit. Consequently, as outlined in note 2, the application of IFRS 15 "Revenue from Contracts with Customers" requires allocation of turnover from account fees between transaction-related revenue and global custody services.

Treasury income is earned over time on client money balances placed on deposit with banking counterparties. Advertising revenue is earned in the form of point in time sales for online and print advertising on the Company website.

All revenue is derived from the continuing operations of the business within the UK. The directors consider that the Company operates in a single business unit and geographical segment.

#### 1.7 LEASES

##### The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### **1.8 FIXED ASSET INVESTMENTS**

Investments in subsidiaries are stated at cost less provision for impairment.

#### **1.9 INTANGIBLE ASSETS**

##### **Internally developed software**

Internally developed software is stated at cost, net of accumulated amortisation and accumulated impairment losses. Such costs include those incurred in improving the brokerage platform. It is assumed that these enhancements provide benefit over a period of time and as such these costs are amortised over a period of 3 years. Amortisation of the asset begins when development is complete and the asset is available for use and is charged to administrative expenses within the Income Statement. Costs associated with maintaining software are recognised as an expense when incurred.

Individual projects, are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

An impairment review is performed when management identify an indication that an asset may be impaired. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment and reversal of impairment is an accounting judgement, and

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

impairment reviews are performed as outlined in the significant accounting judgements section.

#### **Purchased intangible assets**

Purchased books of client records is stated at cost which was deemed to be their fair value as at the acquisition date less amortisation. Intangible assets are amortised over 7-10 years on a straight-line basis given past knowledge of similar acquisitions.

Externally purchased software is amortised over 3 years on a straight-line basis, based on estimated useful lives of the assets. Amortisation is charged to administrative expenses within the Income Statement.

#### **1.10 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing major parts of the property, plant and equipment. All other repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is provided on property, plant and equipment so as to write off the cost, less any estimated residual value, over their expected useful economic life. Property, plant and equipment are tangible items that:

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one period.

The nature of assets held includes leasehold improvements, fixtures and fittings and computer equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

- |   |                |
|---|----------------|
| • Leasehold improvements                | over 7 years   |
| • Fixtures, fittings & office equipment | over 3-5 years |
| • Computer equipment                    | over 3-5 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An impairment review is performed when management identify an indication that an asset may be impaired. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment and reversal of impairment is an accounting judgement, and impairment reviews are performed as outlined in the significant accounting judgements section above.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1.11 PENSIONS

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. The scheme funds are held separately from those of the Company in an independently administered fund.

### 1.12 PROVISIONS

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the entity expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### 1.13 TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

### 1.14 DEFERRED TAXATION

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Current and deferred tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

### 1.15 INTEREST

Interest income is accrued on a time-apportioned basis, by reference to interest rates receivable from banks and other institutions.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1.16 EXCEPTIONAL ITEMS

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance for analysis within the Company's strategic report. This enables analysis of the ongoing revenue and expenses of the Company, and transparent comparison of year on year performance.

### 1.17 FINANCIAL ASSETS

Financial assets are initially measured at fair value. The Company's financial assets include cash and short-term deposits, trade and other receivables, payments due from clients and payments due from market:

#### Financial assets held at amortised cost

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. The Company does not hold any financial assets that meet the criteria for treatment as fair value through other comprehensive income or fair value through profit or loss. Therefore, all financial assets held by the Company are measured at amortised cost.

#### Cash

Cash balances comprise cash on instant access. The Company also holds money on behalf of clients in accordance with the Client Money Rules of the FCA. This client money represents balances which are not held in respect of the settlement of transactions (i.e. free money). The client money is not shown on the face of the balance sheet as the Company is not beneficially entitled thereto. Disclosure of the amounts held is made in note 12. Interest earned on client money balances is included within revenue as Treasury income.

#### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on trade receivables and contract assets.

In accordance with IFRS 9, the Company applies the 'simplified approach' in calculating expected credit losses from trade receivables. The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has identified appropriate groupings and segments of trade receivables as follows:

- Amounts due from market maker counterparties;
- Amounts due from clients in respect of brokerage commissions;
- Amounts due from clients in respect of account fees; and
- Advertising revenue.

The Company writes off a trade receivable when there is information indicating that there is no realistic prospect of recovery. For amounts due from clients in respect of brokerage commissions, the loss allowance is determined on an individual basis, using historic analysis on losses and recoverability of financial assets to determine an estimate for expected credit losses. As the Company restricts clients from trading without cleared funds this minimises the level of historical losses experienced by the Company.

Amounts due from market maker counterparties are not written off by the Company, as there has historically been no issues in recovering these amounts from market makers and no history of losses.

Amounts due from clients in respect of account fees and advertising revenue are written off when, on individual assessment, the Company determines that there is no realistic prospect of recovery. Factors which determine this assessment include whether a client has cash in their account, or holds stock (which in line with contractual obligations may be sold by the Company to recover debt), or whether an advertising customer remains active and engaged with the Company on an ongoing basis. Therefore, expected credit losses on trade receivables for amounts due from clients in respect of account fees, and advertising revenue are estimated using a provision matrix by reference to past default experience.

#### **De-recognition of financial assets.**

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

unrelated third party. A financial asset (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **1.18 FINANCIAL LIABILITIES**

All financial liabilities are recognised initially at fair value and, in the case of lease liabilities, carried at amortised cost. This includes directly attributable transaction costs. The Company's financial liabilities include trade and other payables, payments due to clients, payments due to market and lease liabilities. The subsequent measurement of financial liabilities depends on their classification as follows:

##### **Trade and other payables**

Trade and other payables are stated at amortised cost.

##### **Payments due to clients and market**

Payments due to clients consist of the balances received as a result of the client selling stock or application of corporate actions or dividends. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Payments due to market consist of the amounts due to counterparties that are due to settle against delivery of stock and are shown gross of charges. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

##### **De-recognition of financial liabilities**

A financial liability is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **1.19 CONTRACT LIABILITIES**

Following the application of IFRS 15 contract liabilities arise as a result of trading credits received with fees paid by every client. This allows the client to offset future commission payable when trading. The liability is calculated based on historical data giving the proportion of trading credits being used.

## **2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, previously described, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and



# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company has made critical accounting judgements in relation to the following matters:

#### **Exceptional items**

Exceptional items are those items that are required to be separately disclosed by virtue of their size or incidence or have been separately disclosed within the strategic report, in order to improve a reader's understanding of the financial statements. Consideration of what should be included as exceptional requires judgement to be applied. Exceptional items are considered to be ones which are material and outside of the normal operating practice of the Company and are detailed in Note 8.

In accounting for the following matters the Company has had to use judgement based upon best estimates of unknown future events, identified as the key sources of estimation uncertainty:

#### **Deferred Tax Asset**

Under IAS 12 "Income Taxes", deferred tax assets may only be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Therefore, the estimated future utilisation of deferred tax assets and allocation between current and non-current assets has been calculated with reference to forecast taxable profits for the medium-term future. These forecasts include judgements and assumptions concerning client numbers and trading volumes, cash balances and interest yields, and costs incurred by the business. These forecasts are most sensitive to changes in interest rates, driven predominantly by UK base rates as set by the Bank of England. A 0.10% reduction in annual average market interest rates available would lead to a corresponding £4,000,000 decrease in Treasury Revenue. However, the Company has a diversified revenue stream and is not solely reliant on Treasury Revenue as an income source. Furthermore, and as experienced in 2020, economic uncertainty arising from, or resulting in, a reduction in interest rates, can lead to market volatility and an increase in trading and FX revenues for the Company.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 PROFIT BEFORE TAX

Profit before tax is stated after charging:

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	180	252
Audit-related assurance services	110	115
Amortisation of intangible assets	2,329	909
Impairment of intangible assets	298	-
Depreciation of property, plant and equipment	1,293	1,573
Impairment of property, plant and equipment	645	-
Depreciation of right-of-use assets	2,383	2,524
Impairment of right-of-use assets	-	56
	<u>          </u>	<u>          </u>

### 4 DIRECTORS' AND EMPLOYEES' COSTS

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Salaries	28,115	22,865
Social security costs	2,171	1,795
Pension costs	1,339	1,166
	<u>          </u>	<u>          </u>
	31,625	25,826
	<u>          </u>	<u>          </u>
<b>Average monthly number employed (including executive directors)</b>		
Operating and support functions	460	399
Administrative functions	48	47
	<u>          </u>	<u>          </u>
	508	446
	<u>          </u>	<u>          </u>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Directors' emoluments (excluding pension contributions)	1,388	1,105
Pension contributions	52	7
	<u>          </u>	<u>          </u>

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Emoluments of the highest paid director	794	627
Pension contributions of the highest paid director	28	11
	<u>          </u>	<u>          </u>

## 5 REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Trading transactions	61,784	24,090
Account fees	37,078	31,139
Treasury income	22,097	28,027
Advertising revenue	379	795
	<u>          </u>	<u>          </u>
	121,338	84,051
	<u>          </u>	<u>          </u>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6 NET FINANCE INCOME/ (COSTS)

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Interest receivable from customers	156	161
Interest receivable from banks and other institutions	266	344
Interest on inter-company loan	133	-
Interest payable to banks and other institutions	(239)	(411)
Interest on lease liabilities	(102)	(286)
	<u>214</u>	<u>(192)</u>

Interest payable to banks and other institutions arises due to the Company paying interest on deposits denominated in Euros.

### 7 TAX

#### Tax charge in the statement of comprehensive income

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
<b>Current tax</b>		
Current year	3,391	253
Prior year adjustment	(1,313)	-
	<u>2,078</u>	<u>253</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,261	2,472
Adjustment in respect of prior periods	-	(2,089)
Effect of changes in tax rates	(1,262)	(245)
	<u>3,999</u>	<u>138</u>
<b>Total tax charge</b>	<u><u>6,077</u></u>	<u><u>391</u></u>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### Reconciliation of the effective tax rate

Factors affecting the tax charge for the year		
Profit before taxation (pre-adj, update)	42,055	10,276
	<u>42,055</u>	<u>10,276</u>
Profit before taxation multiplied by the effective rate of UK corporation tax of 19% (2019: 19%)	7,990	1,952
	<u>7,990</u>	<u>1,952</u>
Effects of:		
Adjustments in respect of prior years	(1,313)	(2,089)
Expenses not deductible	662	773
Tax rate changes	(1,262)	(245)
Effects of group relief/ other relief	-	-
Deferred tax recognised in period	-	-
	<u>(1,913)</u>	<u>(1,561)</u>
<b>Total tax charge/ (credit)</b>	<u>6,077</u>	<u>391</u>

The applicable UK corporation tax rate is 19% for the year (2019: 19%).

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2020 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax after 2023 was to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax asset by £1,238,000.

The adjustment in respect of prior years includes a refund of £963,000 corporation tax relating to a group company which has since been dissolved.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 8 EXCEPTIONAL ITEMS

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Transaction and integration costs	(1,009)	9,310
	<u>(1,009)</u>	<u>9,310</u>

Transaction and integration costs include staff costs, professional and consultancy, and contract termination costs relating to the acquisitions and disposals undertaken by the Company. In 2020, these include a credit of £3,811,000 for intra group recharges and provision releases (2019: nil)

### 9 INTANGIBLE FIXED ASSETS

	Computer software £'000	Internally developed software £'000	Acquired Customer Lists £'000	Total £'000
<b>Cost</b>				
At 1 Jan 2020	26,318	29,249	32,760	88,327
Additions	944	521	-	1,465
<b>At 31 Dec 2020</b>	<u>27,262</u>	<u>29,770</u>	<u>32,760</u>	<u>89,793</u>
<b>Amortisation</b>				
At 1 Jan 2020	25,085	29,046	24,951	79,082
Impairment for the year	298	-	-	298
Charge for the year	773	42	1,514	2,329
<b>At 31 Dec 2020</b>	<u>26,156</u>	<u>29,088</u>	<u>26,465</u>	<u>81,709</u>
<b>Net book value</b>				
<b>At 31 Dec 2020</b>	<u>1,106</u>	<u>682</u>	<u>6,295</u>	<u>8,083</u>
<b>At 1 Jan 2020</b>	<u>1,233</u>	<u>203</u>	<u>7,809</u>	<u>9,245</u>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve- ments £'000	Fixtures, fittings & office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 Jan 2020	5,327	459	10,454	16,240
Additions	536	-	220	756
<b>At 31 Dec 2020</b>	<b>5,863</b>	<b>459</b>	<b>10,674</b>	<b>16,996</b>
<b>Depreciation</b>				
At 1 Jan 2020	2,878	443	9,657	12,978
Impairment for the year	645	-	-	645
Charge for the year	736	4	553	1,293
<b>At 31 Dec 2020</b>	<b>4,259</b>	<b>447</b>	<b>10,210</b>	<b>14,916</b>
<b>Net book value</b>				
<b>At 31 Dec 2020</b>	<b>1,604</b>	<b>12</b>	<b>464</b>	<b>2,080</b>
<b>At 1 Jan 2020</b>	<b>2,449</b>	<b>16</b>	<b>797</b>	<b>3,262</b>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 FIXED ASSET INVESTMENTS

Details of the investments held by the Company are as follows:

Company	Country of incorporation	Holding	%	Share capital and reserves
Investor Nominees Ltd	England and Wales	Ordinary	100	£1
Interactive Investor Services Nominees Ltd	England and Wales	Ordinary	100	£2
Investor SIPP Trustees Ltd	England and Wales	Ordinary	100	£1
Share Limited (formerly Share Plc)	England and Wales	Ordinary	100	£11,525,000

Company	Principal Activity	Registered Office
Investor Nominees Ltd	Nominee company	201 Deansgate Manchester M3 3NW
Interactive Investor Services Nominees Ltd	Nominee company	Exchange Court Duncombe Street Leeds LS1 4AX
Investor SIPP Trustees Ltd	SIPP bare trustee company	201 Deansgate Manchester M3 3NW
Share Limited (formerly Share plc)	Parent company of the Share group of companies, with the principle business being The Share Centre Limited, providing retail stockbroking services	Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ

Share Limited owns 100% of the share capital of the following entities: The Share Centre (Administration Services) Limited, The Shareholder Limited, Personal Retirement Account Limited, Share Nominees Limited and Sharesecure Limited.



# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

The Company acquired 100% of the share capital of Share Plc (now Share Limited) on 3<sup>rd</sup> July 2020 for consideration £61,827,000. As referenced in the Events After the Reporting Period Note 25, the majority of the Share D2C clients were migrated to the Company's platform in February 2021. This is expected to trigger an impairment to the value of the Company's fixed asset investment in Share Limited in the Company's 2021 results.

#### 12 CASH

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Company balances	74,352	48,166

Client settlement balances are segregated from the Company's cash balances in accordance with the requirements of the Financial Conduct Authority. As at 31 December 2020, the Company held bank deposits totalling £3,868,908,000 (2019: £3,397,615,000) on behalf of clients that are excluded from the balance sheet.

Management consider the fair value to be equal to the carrying value.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 RIGHT OF USE ASSETS

	Buildings	Computer equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 Jan 2020	9,798	1,175	10,973
Additions	1,783	-	1,783
<b>At 31 Dec 2020</b>	11,581	1,175	12,756
<b>Depreciation</b>			
At 1 Jan 2020	2,345	235	2,580
Charge for the year	2,147	235	2,383
<b>At 31 Dec 2020</b>	4,492	470	4,963
<b>Net book value</b>			
<b>At 31 Dec 2020</b>	7,089	705	7,794
<b>At 1 Jan 2020</b>	7,453	940	8,393

As outlined in the s172 statement in the Strategic Report, the addition to Buildings is in respect of a new office lease in Leeds.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 14 TRADE AND OTHER RECEIVABLES

	31 Dec 2020 £'000	31 Dec 2019 £'000
Amounts falling due within one year:		
Amounts due from counterparties and clients	410,819	255,577
Amounts due from group undertakings	15,469	17,259
Prepayments and accrued income	4,315	6,294
Other receivables	4,468	1,586
	<u>435,070</u>	<u>280,716</u>

Amounts due from counterparties and clients include payments due from clients and payments due from market. Payments due from clients consist of the balances due as a result of the client purchasing stock or the application of fees. These balances sweep to their income or debt ledger upon settlement date. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction. Payments due from market consist of the amounts due from counterparties that are due to settle against delivery of stock and are shown gross. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction. The increase from 2019 is due to the significantly higher trading volumes leading to a larger number of unsettled trades.

Amounts due from group undertakings arise as a result of the Company's role in its parent group to hold cash on behalf of other group undertakings and are repayable on demand.

The carrying value of financial assets (inclusive of cash) is £509,422,000 (2019: £322,683,000).

	Total £'000	Not Due £'000	1-30 Days £'000	31-60 Days £'000	61-90 Days £'000	91+ Days £'000
At 31 Dec 2020	<u>410,819</u>	<u>401,622</u>	<u>5,188</u>	<u>375</u>	<u>567</u>	<u>3,067</u>
At 31 Dec 2019	<u>255,577</u>	<u>252,868</u>	<u>2,018</u>	<u>45</u>	<u>318</u>	<u>327</u>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

Movement in bad debt provisions during the year are set out as follows:

	<b>£'000</b>
At 1 January 2020	2,801
Arising during the period	2,070
Utilised	(2,258)
Unused amounts reversed during the period	(574)
	<hr/>
At 31 December 2020	<u>2,039</u>

As outlined in note 1.18, expected credit losses on trade receivables for amounts due from clients in respect of account fees, and advertising revenue are estimated using a provision matrix by reference to past default experience. As at 31 December 2020, the expected credit loss allowance was as follows:

#### 2020

	<b>0 days</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>&gt;90 days</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances	0	312	288	271	4,338	5,209
Expected credit loss rate	0%	15%	15%	15%	44%	39%
Expected credit loss allowance	0	47	43	41	1,908	2,039
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

2019

	0 days £'000	1-30 days £'000	31-60 days £'000	61-90 days £'000	>90 days £'000	Total £'000
Balances	0	552	505	399	2,422	3,879
Expected credit loss rate	0%	48%	49%	56%	68%	62%
Expected credit loss allowance	0	265	247	222	1,654	2,389

During 2020, the Company ceased charging customers with nil AuA, reducing the expected credit loss rate versus 2019. The directors envisage that future economic conditions may result in changes to the recoverability of account fee receivables, as adverse market movements increase the Company's exposure to account fee debt. A 10% (2019: 5%) increase to the historic loss rate has been applied to allow for this uncertainty.

### 15 TRADE AND OTHER PAYABLES

	31 Dec 2020 £'000	31 Dec 2019 £'000
Amounts falling due within one year:		
Amounts due to counterparties and clients	382,843	236,700
Amounts owed to group undertakings	-	-
Accruals and deferred income	10,886	7,343
Other creditors	4,073	3,011
	<u>397,802</u>	<u>247,054</u>

Amounts due to counterparties and clients are non-interest bearing and are normally settled within 21 days, in line with the contractual settlement date of client and counterparty trades. Other payables are non-interest bearing and are normally settled within 30-day payment terms. The carrying value of financial liabilities is £397,802,000 (2019: £247,054,000). The increase from 2019 is a result of the higher trading volumes leading to a larger number of unsettled trades and is comparable to the increase in amounts due from counterparties in note 14 above.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 LEASE LIABILITIES

	31 Dec 2020 £'000	31 Dec 2019 £'000
<b>Maturity analysis:</b>		
Year 1	2,034	2,948
Year 2	1,427	1,042
Year 3	1,470	1,073
Year 4	1,235	1,105
Year 5	1,084	860
Onwards	840	1,726
	<u>8,090</u>	<u>8,754</u>
<b>Analysed as:</b>		
Non-current	6,056	5,806
Current	2,034	2,948
	<u>8,090</u>	<u>8,754</u>

### 17 PROVISIONS

The movement in provisions during the year ended 31 December 2020 is as follows:

	Dilapidations provisions	Other provisions	Total
At 1 January 2020	1,580	930	2,510
Arising during the year	257	-	257
Utilised during the year	-	(350)	(350)
Released during the year	-	(580)	(580)
Unwinding of discount	35	-	35
	<u>1,872</u>	<u>-</u>	<u>1,872</u>
At 31 December 2020	<u>1,872</u>	<u>-</u>	<u>1,872</u>

The dilapidation provisions are expected to be utilised over the life of the respective leases, with estimates made as to the amount likely to be incurred. Other provisions are expected to be utilised within a year as the events to which they relate occur.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 18 DEFERRED TAX

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Fixed assets	Temporary differences trading	Tax losses	Total
	£'000	£'000	£'000	£'000
<b>Balance as at 1 Jan 2020</b>	(5,290)	(1)	(5,439)	(10,730)
Charge to profit or loss	935	1	4,325	5,261
Rate change	(622)	-	(640)	(1,262)
Adjustment in respect of prior periods	-	-	-	-
<b>Balance as at 31 Dec 2020</b>	<b>(4,977)</b>	<b>-</b>	<b>(1,754)</b>	<b>(6,731)</b>
<b>Analysed as:</b>				
Non-current				(4,254)
Current				(2,477)
				<b>(6,731)</b>

### 19 PENSION COMMITMENTS

The Group operates a defined contribution pension scheme, which is externally funded and covers all eligible staff employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Pension contributions of £1,339,000 have been recognised in the income statement for the year to 31 December 2019 (2019: £1,166,000). There was no pension creditor outstanding at 31 December 2020 (2019: £nil).

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20 SHARE CAPITAL AND SHARE PREMIUM

	31 Dec 2020 £'000	Authorised 31 Dec 2019 £'000	Allotted, called up and fully paid 31 Dec 2020 £'000	31 Dec 2019 £'000
Ordinary shares of £1 each	1,000,000	1,000,000	337,359	288,117

During the year, the Company issued 18,907,467 ordinary shares with a nominal value of £18,907,000. The premium on issue was £30,335,000. The share issue was to part fund the acquisition of Share Plc, recognised as an investment in Note 11.

### 21 SHARE BASED PAYMENTS

The Interactive Investor Limited Group operates a share-based compensation plan, under which the group receives services from employees as consideration for equity instruments of the parent entity, Antler Holdco Limited. This is recognised as an equity-settled share-based payment transaction in accordance with IFRS 2 'Share-Based Payment.'

In accordance with the terms of the plan, employees purchase shares of Antler Holdco Limited. These shares are to be redeemed at the end of a vesting period for a price to be determined based on the valuation of the Group at that date, provided initial equity value exceeds a set Internal Rate of Return threshold. Redemption of the shares is conditional on employees remaining employed by the Group at the end of the vesting period, however the shares can be repurchased by Antler Holdco Limited at an agreed price upon the employee leaving.

4,350 shares were issued during the year (2019: 4,415), with a weighted average fair value of £220.69 per share (2019: £30.80). The value of employee equity-settled share-based payments are calculated at fair value at the grant date using a Black-Scholes option pricing model. Vesting conditions, which comprise service conditions and performance conditions, are not taken into account when estimating the fair value of such awards but are taken into account by adjusting the number of equity instruments included in the ultimate measurement of the transaction amount. The value of the awards is recognised as an expense on a systematic basis over the vesting period. Where an award of share-based payments is cancelled by an employee, the full value of the award (less any value previously recognised) is recognised at the cancellation date.



# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

The expense recognised for employee services received during the year is shown in the following table:

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Expense arising from:		
Equity-settled share-based payment transactions	741	1,020
	<u>741</u>	<u>1,020</u>

Details of the shares outstanding during the year are as follows:

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Outstanding 1 January 2020	81,815	77,400
Granted during the year	4,350	4,415
Forfeited during the year	-	-
	<u>86,165</u>	<u>81,815</u>
Outstanding at 31 December 2020	<u>86,165</u>	<u>81,815</u>

Key inputs to the Black-Scholes option pricing model were as follows:

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Weighted average share price	£35.49	£36.74
Discount for Lack of Marketability	20.0%	20.0%
Expected volatility	35.5%	27.7%
Expected life	2.1 years	3.1 years
Risk free rate	0.00%	0.74%
Dividend yield	0.0%	0.0%

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 CAPITAL MANAGEMENT

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision. The Company has complied with any capital requirements throughout the current year and the prior year.

The Company is classified as a €125k limited licence IFPRU firm for the purposes of the Capital Requirements Directive ('CRD'). Capital is derived from Company profit and investment from the Parent Company whilst its requirement is determined by its fixed cost base. The Company operates a capital/risk committee which oversees adequacy on a monthly basis. This committee also determines the amount of capital that management believe is appropriate for this Company.

The primary objectives of the Company's capital management policies are to ensure that it complies with the externally imposed capital requirements and that it maintains healthy capital ratios in order to support the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 CONTRACT LIABILITIES

	31 Dec 2020 £'000	31 Dec 2019 £'000
Arising from customer trading credits	417	399

A contract liability arises in respect of trading credits in that the account fee paid by every customer allows them to use the amount to offset future commission payable within a 90 day period. The liability is calculated based on historical data giving the proportion of trading credits being used and all contract liabilities at the start of the year were recognised in the year.

### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables, and payments due to client and market positions. The main purpose of these financial liabilities is to finance the Company's operations and to support the open trading positions of the underlying clients. The Company has trade and other receivables and cash that arrive directly from its operations. The Company also maintains due to client and market positions, again to support the open trading positions of the underlying clients.

The Company is exposed to market risk, concentration risk, interest rate risk and credit risk.

The Company's senior management oversees the management of these risks and is supported by an Internal Capital Adequacy Assessment Process (ICAAP) that advises on financial risks and the appropriate financial risk governance framework for the Company. The ICAAP Committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Interactive Investor group's (the "Group") policies and Group's risk appetite. It is the Company's policy that no trading in derivatives shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

# INTERACTIVE INVESTOR SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices or the Group's ability to settle trades in a timely manner on behalf of its clients. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Market risk is managed through operational controls to ensure trades are carried out in a timely and accurate manner. Currency, commodity and other price risks are not material to the Group.

### Concentration risk

The Group is exposed to concentration risk on its treasury and custodian services. The Group ensures that this risk is managed through carrying out full due diligence on all new counterparties, that they are regularly monitored, and that cash is placed in a diverse range of financial institutions approved by the board. Concentration risk affects the cash and the due to and from market positions on the statement of financial position and is deemed to have an immaterial cost value to the entity.

### Interest rate risk

Interest rate risk arises due to reduction in interest earned on funds deposited within the portfolio. Interest rate risk is mitigated through careful management of its cash portfolio and interest payable on its product range. The Group has a diversified revenue stream and is not solely reliant on net interest as an income source. Management considers, therefore, that interest rate risk is adequately managed. In accordance with FCA regulations, the Company stress tests interest rate risk on a quarterly basis against a 200 basis point (2%) parallel fall in interest rates. In the current low interest rate environment this means assuming no interest income. In the current year, a 0.25% fall in interest rates would have resulted in a £9,879,000 reduction in revenue (2019: £7,470,000). The level of interest paid to Clients is monitored by net interest income forecasting which is presented to Senior Management where the results are assessed.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

# INTERACTIVE INVESTOR SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2020

The Group is exposed to credit risks on its treasury, custodian and partner services. This also represents an exposure to liquidity risk, being the risk that cash requirements exceed the available sources of cash to the Group. The Group ensures that full due diligence is carried out on all new counterparties and that they are regularly monitored. Trade receivables and payables are on standard payment terms, thereby reducing long term liquidity risk.

The table below shows the maximum exposure to credit risk for balance sheet components:

	<b>Total £'000</b>
Cash and short-term deposits	74,352
Trade and other receivables	435,070
	<hr/>
	509,422
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## 25 EVENTS AFTER THE REPORTING PERIOD

As referenced in the Strategic Report, on 5th February 2021, the vast majority of Share D2C clients were migrated to the Company's platform. On 5th March 2021, the acquisition of the EQi D2C customer business from Equiniti Group Plc was announced.

These events have been treated as non-adjusting post balance sheet events.

The migration of the Share D2C clients was made at nil consideration and is expected to trigger an impairment of the value of the fixed asset investment in Share Limited in the Company's 2021 reported results. The Company is not able to estimate the value of impairment as it is dependent on the value recovered through the exit of Share Limited's remaining business in 2021.

The acquisition of the EQi D2C business was agreed for consideration up to £48.5m which will be paid and recognised as an intangible fixed asset at the point of the migration to the Company's platform.

There have been no other events between the period ended 31 December 2020 and the date of this report that would require disclosure in the financial statements of the Company.

## INTERACTIVE INVESTOR SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 26 ULTIMATE CONTROLLING PARTY

Interactive Investor Services Limited is included within the UK consolidated accounts of Interactive Investor Limited, the largest and smallest parent company preparing consolidated financial statements.

Copies of the group financial statements may be obtained from:

Interactive Investor Limited  
201 Deansgate  
Manchester  
M3 3NW

The ultimate controlling party and ultimate parent company of the Company is JC Flowers IV LP, a Limited Partnership registered in the Cayman Islands.