

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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Company Registration No. 03242334 (England and Wales)

INTERACTIVE INVESTOR HOLDINGS LIMITED  
(FORMERLY TD WEALTH HOLDINGS (UK) LIMITED)

REPORT AND ACCOUNTS

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017



# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## COMPANY INFORMATION

<b>Directors</b>	Barry Bicknell
	Richard Wilson
<b>Company number</b>	03242334
<b>Registered office</b>	Exchange Court
	Duncombe Street
	Leeds
	LS1 4AX
<b>Statutory Auditor</b>	Deloitte LLP
	Hill House
	1 Little New Street
	London
	EC4A 3TR

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## STRATEGIC REPORT

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

The directors present their strategic report for the 14 month period ended 31 December 2017.

#### Principal activities and review of the business

Interactive Investor Holdings Limited ('the Company') does not trade, but holds an investment in the trading subsidiary Interactive Investor Services Limited (formerly TD Direct Investing (Europe) Limited), which provides direct to investor investment services. Interactive Investor Services Limited is regulated by the Financial Conduct Authority. The Company also holds an investment in Yorkshare Limited, a non-trading subsidiary.

#### Review of the business and future developments

As shown in the income statement on page 13, the Company made a profit for the 14 month period to 31 December 2017 of £71,785,000 (year to 31 October 2016: loss of £59,932,000).

On 2 June 2017, Interactive Investor Limited ('the Group') acquired 100% of the ordinary share capital of the Company. Following the acquisition, the results of the Company are included within the UK consolidated accounts of Interactive Investor Limited, and the ultimate controlling party of the Company is JC Flowers IV LP, a Limited Partnership registered in the Cayman Islands.

As a result of the acquisition, the Interactive Investor Limited Group became the UK's second largest online retail stock broker with 300,000 customer relationships and £19.7 billion of client assets under administration. In December 2017, all clients were migrated to Interactive Investor Services Limited. By migrating the two sets of clients onto a single platform the directors believe that both sets of clients have benefitted; with one set of clients benefiting from improved international markets coverage and the other benefitting from improved content and insight. A new pricing structure was also introduced. As well as delivering more consistent results for the Group, the directors believe the new pricing structure is better for customers, through its simplicity and also by virtue of its recognition in the industry as representing best value for the "engaged investor".

These migration activities are expected to result in a significant increase in future revenue to Interactive Investor Services Limited, and a return to profitability. Furthermore, investor sentiment has improved following the referendum on the UK's membership of the European Union and this has driven an increase in trading volumes. Revenue from interest income has also increased with the increase in base rates in November 2017.

The directors intend to liquidate the business as soon as practicable, most likely within 12 months from the date of signing, as the Company is no longer required in the new Group structure.

#### Going Concern

The going concern basis is not appropriate for the preparation of the Company's financial statements. The financial statements have therefore been prepared on a basis other than going concern. However, there are no adjustments required to the income statement as a result of this. The investments will be sold at nominal value to another company within the Interactive Investor group upon close down.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## STRATEGIC REPORT CONTINUED

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

### Key Performance Indicators

As the Company does not trade, but holds an investment in Interactive Investor Services Limited, certain KPIs used by the trading company are relevant insofar as they affect the value of the investment held by the Company.

	31 Dec 2017	31 Oct 2016
Active customers	166,000	115,000
Assets under administration	£19.7 billion	£13.2 billion
Revenue growth (annualised)	6.5%	(20.8)%

### Principal risks and uncertainties

As the Company does not trade, but holds an investment in Interactive Investor Services Limited, certain principal risks identified by the trading company are relevant insofar as they affect the value of the investment held by the Company.

Competitive pressure in the UK is an ongoing risk for Interactive Investor Services Limited, which could result in it losing commission to key competitors. It manages this risk by remaining competitive through offering an excellent standard of service to its customers and a diverse range of products.

There continues to be a focus on treasury risk during the year with continuous in depth reviews taking place to ensure the stability of Treasury counterparties remains strong. Potential future treasury returns will continue to be challenging as a result of the ongoing low interest rate environment.

Credit risk remains a principal 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.

#### *Pillar III*

Interactive Investor Services Limited 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)), and the capital adequacy calculations are included as an appendix to the financial statements of Interactive Investor Services Limited.

Market risk is defined as the potential reduction in net income, or decrease in value of Interactive Investor Services Limited's balance sheet, arising from adverse market movements. Specific types of market risk are considered below.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## STRATEGIC REPORT CONTINUED

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

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. Interactive Investor Services Limited, 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.

### *Interest rate risk*

Whilst Interactive Investor Services Limited is exposed to interest rate risk this is mitigated through careful management of its cash portfolio and interest payable on its product range. Interactive Investor Services Limited 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, Interactive Investor Services Limited 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.


### *Foreign exchange risk*

Interactive Investor Services Limited deals with stock 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 "Capital Requirements Directive IV" ("CRD IV").

### *Commodity risk*

Interactive Investor Services Limited has no commodity risk.

On behalf of the Board



B M Bicknell

Director

27 September 2018

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## DIRECTORS' REPORT

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

The directors present their report and accounts for the 14 month period ended 31 December 2017. The registered number of the Company is 03242334.

#### Results and dividends

The income statement for the period is set out on page 13. No dividend was paid or proposed to the equity shareholders (2016: nil).

During the period, the Company's reporting date was changed to 31 December 2017, to align with the parent company following the acquisition of the business. The Company name was also changed to Interactive Investor Holdings Limited from TD Wealth Holdings (UK) Limited, and the reporting framework was changed from International Financial Reporting Standards to United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework."

#### Directors

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

Barry Bicknell	(appointed 2 June 2017)
Richard Wilson	(appointed 2 June 2017)
J W Tracy	(resigned 2 June 2017)
J M Wilson	(resigned 2 June 2017)

M Curle acted as Company Secretary (resigned 2 June 2017)

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 14 month period ended 31 December 2017 and the year ended 31 October 2016, 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.

#### Going concern

As outlined in the Strategic Report, the going concern basis is not appropriate for the preparation of the Company's financial statements. The financial statements have therefore been prepared on a basis other than going concern.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## DIRECTORS' REPORT CONTINUED

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

### Future developments

The Company does not trade, but holds an investment in Interactive Investor Services Limited. The directors do not intend to commence trade, are not aware of any factors that would alter the investment in Interactive Investor Services Limited in the forthcoming year.

### Subsequent events

There have been no events between the period ended 31 December 2017 and the date of this report that would require disclosure in the financial statements of the Company.

### Auditor

Deloitte LLP were appointed auditors during the period. 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.

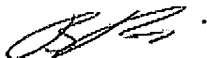
### Directors' statement as to disclosure of information to auditors

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 auditors, 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 auditors are 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 auditors are aware of that information.

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

On behalf of the Board



B Bicknell

Director

27 September 2018

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report, Strategic 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 HOLDINGS LIMITED**

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERACTIVE INVESTOR HOLDINGS LIMITED (FORMERLY TD WEALTH HOLDINGS (UK) LIMITED)**

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the 14 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 10.

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

#### **Basis for opinion**

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

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

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS INTERACTIVE INVESTOR HOLDINGS LIMITED (FORMERLY TD WEALTH HOLDINGS (UK) LIMITED) CONTINUED

### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

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

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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

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

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS INTERACTIVE INVESTOR HOLDINGS LIMITED (FORMERLY TD WEALTH HOLDINGS (UK) LIMITED) CONTINUED

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

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

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

### **Report on other legal and regulatory requirements**

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

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

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

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

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS INTERACTIVE INVESTOR HOLDINGS LIMITED (FORMERLY TD WEALTH HOLDINGS (UK) LIMITED) CONTINUED

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

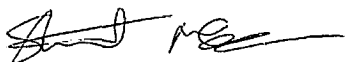
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Stuart McLaren (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

27 September 2018

# INTERACTIVE INVESTOR HOLDINGS LIMITED

## INCOME STATEMENT

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

	Notes	14 month Period ended 31 Dec 2017 £'000	Year ended 31 Oct 2016 £'000
<b>Revenue</b>		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Impairment loss reversals/(impairment losses)	5	71,644	(59,939)
Administrative expenses		81	-
<b>Operating profit/(loss)</b>		71,725	(59,939)
Net finance costs		-	(256)
<b>Profit/(loss) before taxation</b>		71,725	(60,195)
Tax credit	4	60	263
<b>Profit/(loss) for the financial period</b>		71,785	(59,932)

There is no further comprehensive income for the 14 month period ended 31 December 2017 or the year ended 31 October 2016, therefore a statement of other comprehensive income is not presented. All of the profit/(loss) for the current and preceding periods is attributable to the owners of the parent, and is derived from discontinued operations.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

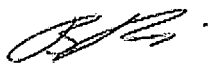
## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 £'000	31 Oct 2016 £'000
<b>Assets</b>			
Investment in subsidiary	6	-	57,095
		<hr/>	<hr/>
		-	57,095
		<hr/>	<hr/>
<b>Current assets</b>			
Investment in subsidiary available for sale	5	131,659	-
Trade and other receivables	6	18	2,920
		<hr/>	<hr/>
		131,677	2,920
		<hr/>	<hr/>
<b>Total assets</b>		131,677	60,015
		<hr/> <hr/>	<hr/> <hr/>
<b>Current liabilities</b>			
Trade and other payables	7	-	123
		<hr/>	<hr/>
<b>Total liabilities</b>		-	123
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		131,677	2,797
		<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>		131,677	59,892
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital	8	291,460	291,460
Accumulated losses		(159,783)	(231,568)
		<hr/>	<hr/>
<b>Total equity</b>		131,677	59,892
		<hr/> <hr/>	<hr/> <hr/>

The notes 1 to 10 form an integral part of these financial statements. The registered number of the Company is 03242334.

The financial statements on pages 13 to 23 were approved by the Board and authorised for issue on 27 September 2018 and signed on its behalf by:



B Bicknell  
Director

# INTERACTIVE INVESTOR HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

	Notes	Share capital	Accumulated losses	Total
		£'000	£'000	£'000
<b>Balance as at 1 Nov 2015</b>		264,460	(171,636)	92,824
Loss for the year		-	(59,932)	(59,932)
Issued share capital		27,000	-	27,000
<b>Balance as at 31 Oct 2016</b>		291,460	(231,568)	59,892
<b>Balance as at 1 Nov 2016</b>		291,460	(231,568)	59,892
Profit for the financial period		-	71,785	71,785
<b>Balance as at 31 Dec 2017</b>		291,460	(159,783)	131,677

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

### 1 ACCOUNTING POLICIES

#### 1.1 GENERAL INFORMATION

Interactive Investor Holdings Limited is a limited liability company 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 Company does not trade, but holds an investment in the trading subsidiary Interactive Investor Services Limited (formerly TD Direct Investing (Europe) Limited), which provides direct to investor investment services. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 5. 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 in note 10.

#### 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. Accordingly, in the year ended 31 December 2017 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

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 payment, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.



# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

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.

The financial statements have been prepared for the 14 month period ended 31 December 2017. This represents a change in reporting period, to align the reporting date with the parent company. Accordingly, amounts presented in the financial statements are not entirely comparable.

#### 1.3 GOING CONCERN

On 2 June 2017, Interactive Investor Limited ('the Group') acquired 100% of the ordinary share capital of the Company. As a result of this, the Company is no longer required in the new Group structure and the directors intend to liquidate the business as soon as practicable.

Therefore, the going concern basis is not appropriate for the preparation of the Company's financial statements. The financial statements have therefore been prepared on a basis other than going concern. However, there are no adjustments required to the income statement. The investment in the trading subsidiary Interactive Investor Services Limited (formerly TD Direct Investing (Europe) Limited) will be sold at nominal value to another company within the Interactive Investor group upon close down.

#### 1.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described below, 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 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

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no critical accounting judgements that do not involve an element of estimation uncertainty.

#### **Impairment and reversal of impairment**

In line with the requirements of IAS 36 'Impairment of Assets,' an impairment review is performed when management identify an indication that an asset (or, if appropriate, cash generating unit) 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. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

The Group uses the following hierarchy for determining and disclosing fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The 'value in use' calculation is based on unobservable (Level 3) inputs, being discounted cash flow models. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units include the analysis of future cash flows expected to be earned from trading activity, cash balances and treasury returns and other fee related revenue streams.

A discount rate of 11.62% has been applied to the estimated cash flows to reflect a prudent estimate of present value. The discount rate takes into account the risk associated with future cash flows which are derived from the investment and is based on cost of capital calculations, with reference to industry wide and business specific factors. The sensitivity to

# INTERACTIVE INVESTOR HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

a 2% shift of discount rate would result in an increase in carrying value of £40m for a 2% decrease and a £30m decrease in carrying value for a 2% increase. Future cash flows have been forecast for the next 5 years based on management forecasts, and extrapolated beyond this period using a growth rate of 1.5%, based on forecast UK GDP growth rates.

Previously, recoverable amounts of the assets (Cash Generating Unit) were based on 'fair value less costs to sell' calculations. These used observable (Level 2) inputs, being indicative sale price for the Company.

Impairment reversals are recognised when recoverable amount of an asset or cash generating unit, which is the higher of its fair value less costs to sell and its value in use, is found to be higher than the carrying value. Impairment and reversal of impairment is an accounting judgement as a result of the uncertainties which exist around the key assumptions.

#### 1.5 INVESTMENTS IN SUBSIDIARIES

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

#### 1.6 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.

### 2 AUDITOR'S REMUNERATION

Audit fees for the Company for the current financial period and previous year were borne by the primary trading company, Interactive Investor Services Limited.

### 3 EMPLOYEES AND DIRECTORS

There were no employees of the Company in either the current financial period or previous year.

The directors are remunerated by the primary trading company, Interactive Investor Services Limited. No apportionment of these directors' remuneration has been applied to the Company on the grounds that the cost of services rendered to the Company are negligible.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

### 4 TAX

#### Reconciliation of the effective tax rate

	14 month Period ended 31 Dec 2017 £'000	Year ended 31 Oct 2016 £'000
Factors affecting the tax charge for the year		
Profit/(loss) before taxation	71,725	(60,195)
	<u>71,725</u>	<u>(60,195)</u>
Profit/(loss) before taxation multiplied by the effective rate of UK corporation tax of 19.35% (2016: 20.00%)	13,879	(12,039)
	<u>13,879</u>	<u>(12,039)</u>
Effects of: (Non-taxable income)/non-deductible expenses	(13,939)	11,776
	<u>(13,939)</u>	<u>11,776</u>
<b>Total tax credit</b>	<u>(60)</u>	<u>(263)</u>

### 5 INVESTMENTS IN SUBSIDIARIES

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

	14 month Period ended 31 Dec 2017 £'000	Year ended 31 Oct 2016 £'000
Opening balance	57,095	102,034
Additions	2,920	15,000
Impairment (losses)/loss reversals during the period	71,644	(59,939)
	<u>131,659</u>	<u>57,095</u>
Closing balance	<u>131,659</u>	<u>57,095</u>

The company holds 271,265,772 £1 shares in Interactive Investor Services Limited (2016: 268,516,238 £1 shares) and 9,850,746 £1 shares in Yorkshire Limited (2016: 9,679,948 £1 shares). During the year, the Company purchased an additional 2,749,534 £1 ordinary shares in Interactive Investor Services Limited and 170,798 £1 ordinary shares in Yorkshire Limited.

# INTERACTIVE INVESTOR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

Following an assessment of the investment in the Interactive Investor Services Limited business, an impairment reversal of £71,644,000 (2016: Loss £59,939,000) was recognised in the income statement relating to this investment.

Impairment losses in 2016 were driven by a decline in the recoverable amount of the investment, in light of the proposed sale of Interactive Investor Holdings Limited (previously TD Wealth Holdings (UK) Limited).

However, the impairment has been reversed in 2017 driven by higher projected future cash flows to the Company, in light of the acquisition by Interactive Investor Limited and expected revenue and cost synergies, as well as improvements in the trading and economic environment.

The recoverable amount of the investment is based on 'value in use' calculations. The Company uses the following hierarchy for determining and disclosing fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The key assumptions used to determine value in use includes analysis of discounted future cash flows expected to be earned from trading activity, cash balances & treasury returns and other fee related revenue streams (Level 3 inputs). In 2016, the fair value measurement of the investment was based on observable (Level 2) inputs, being the indicative bid price offered by the purchaser.

## 6 TRADE AND OTHER RECEIVABLES

	14 month Period ended 31 Dec 2017 £'000	Year ended 31 Oct 2016 £'000
Amounts falling due within one year:		
Amounts due from counterparties and clients	-	2,908
Other debtors	18	12
	<hr/>	<hr/>
	18	2,920
	<hr/>	<hr/>

# INTERACTIVE INVESTOR HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017

### 7 TRADE AND OTHER PAYABLES

	14 month Period ended 31 Dec 2017 £'000	Year ended 31 Oct 2016 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	-	42
Other creditors	-	81
	<u>          </u>	<u>          </u>
	-	123
	<u>          </u>	<u>          </u>

### 8 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31 Dec 2017 £'000	31 Oct 2016 £'000	31 Dec 2017 £'000	31 Oct 2016 £'000
Ordinary shares of £1 each	1,000,000	1,000,000	291,460	291,460
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 9 EVENTS AFTER THE REPORTING PERIOD

There have been no events between the period ended 31 December 2017 and the date of this report that would require disclosure in the financial statements of the Company.

# **INTERACTIVE INVESTOR HOLDINGS LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**FOR THE 14 MONTH PERIOD ENDED 31 DECEMBER 2017**

### **10 ULTIMATE CONTROLLING PARTY**

The Company's immediate parent undertaking is Interactive Investor Limited (formerly Interactive Investor Plc), a company incorporated in England and Wales. On 2 June 2017, Interactive Investor Limited acquired 100% of the share capital of Interactive Investor Holdings Limited. Following this acquisition, Interactive Investor Services Limited is included within the UK consolidated accounts of Interactive Investor Limited.

Copies of the group financial statements may be obtained from:

Interactive Investor Limited  
201 Deansgate  
Manchester  
M3 3NW

As a result of this acquisition, the ultimate controlling party of the Company is JC Flowers IV LP, a Limited Partnership registered in the Cayman Islands.