

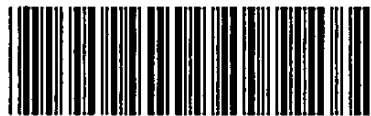
Company Registration No. 4752535 (England and Wales)

**INTERACTIVE INVESTOR PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2013**

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COMPANIES HOUSE

# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS AND ADVISERS**

### **Directors**

A Seale  
B Bicknell  
J Gunn  
P Dicks  
B Macfarlane  
N Brigstocke  
M Horrocks

### **Secretary**

S Theron

### **Company number**

4752535

### **Registered office**

Standon House  
21 Mansell Street  
London  
E1 8AA

### **Registered auditors**

Baker Tilly UK LLP  
25 Farringdon Street  
London  
EC4A 4AB

# INTERACTIVE INVESTOR PLC

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# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013**

### **Principal activities and review of the business**

The Directors present their report and the Group financial statements of Interactive Investor PLC for the year ended 30 June 2013

The businesses of the Group are Interactive Investor, the online broker and investing portal, the mobile app focussed brand Shareprice for share dealing and shares information, and two personal finance magazines, Moneywise and Money Observer

We are pleased to report revenue up 16% to £14.1m with revenue ahead of last year in each quarter. A review of the cost base was undertaken in the year resulting in the reduction of management layers within the Company, including closure of the Peterborough call centre and the integration of this function into our Glasgow office. The combination of increased revenue and reduced costs has resulted in an EBITDA (before exceptional items) of £1.3m, an improvement of £2.8m on the previous year. The stability of our earnings has also improved, with recurring revenue now making up 45% of our total revenue and covering 61% of our overheads. As a result we have recorded positive EBITDA (before exceptional items) every quarter this year.

The introduction of our new pricing structure, combined with an improved performance from treasury income, has resulted in an increase of 26% in revenue in our key broking segment. Clients' cash (cash deposited by clients in their accounts with us pending purchase of shares, funds, bonds) increased by 24%. Funds under administration increased by 41%. We have also established ourselves as a significant counterparty in the equity and retail bond new issue area, enabling our clients to participate in new issues. This is particularly important when considering the planned issues of stock in companies where the Government currently owns significant stakes which may be offered to the public in the coming months.

The improvements in our derivative proposition delivered strong results with revenue up more than 100%. We have recently supplemented our advanced product offering by enabling structured products to be bought on the site and will be launching futures and options in October.

Display advertising has been subdued this year due in part to the decision to stop competitive advertising. The sales team has been bolstered by the recruitment of a new head of advertising, who has been reworking our advertising proposition. We expect the planned enhancements combined with the announcement of a number of high profile campaigns next year to lead to a recovery in display advertising.

Interactive Investor's other media assets performed well, particularly our Moneywise brand where revenues increased by 25%. The Moneywise website is now attracting up to 400,000 unique visitors a month with visitors to the more lucrative pensions and investing segments showing the largest traffic increase. Following the success of the Moneywise website we will be shortly re-launching an enhanced Money Observer website, aimed at achieving a similar improvement in this brand's revenue potential.

We have invested in further new talent in areas such as business to business propositions and information technology experts to expand and enhance our capabilities as well as take advantage of the significant new opportunities we believe are available to the Company.

Our balance sheet has strengthened considerably since the beginning of the year. Our capital raising exercise in September 2012 was oversubscribed and the EGM in October 2012 approved the issuance of further shares in order to satisfy this demand. This capital raise increased our Core Tier 1 regulatory capital by approximately £5.2m. As at 30 June 2013, the Group had regulatory capital close to double its FCA capital requirements.

# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT (CONTINUED)**

### ***FOR THE YEAR ENDED 30 JUNE 2013***

Our strategy continues to be to provide a high quality and good value investment service for DIY investors. We are taking advantage of industry trends and are leveraging our assets, which include distribution (over a million site users), content, brands and an efficient broking and funds platform. We are a challenger to higher priced platforms, because we offer simple, transparent and good value pricing. Our business is highly scalable and we intend to grow revenues by increasing customer numbers and making more products available to those customers. We also are leveraging our strong position between – and helping to connect – individual investors to quoted companies and fund groups.

We have increased our PR activity and have benefited from increased coverage in the personal financial sections of the media over the last year, both print and on line. We have also won several industry awards and commendations.

As well as acquiring customers directly, we are investing in partnerships with third parties who share revenues with us for the use of our platform for their customers.

Customers acquired, since we introduced our new pricing, on average trade more frequently, deposit higher cash balances, and hold larger investment portfolios, compared with the type of customers acquired before the price change. Customers now pay a minimum of £80 per year offset by two free trades per quarter, so we have no zero revenue customers to limit profitability. Some low-trading and low balance customers, who generated minimal average revenues, have closed their accounts, but the vast majority of the other, more valuable customers, have stayed with us. Our full trail commission rebate has encouraged high fund balance customers to transfer in to us funds from competitors who charge trail. In summary, our quality of earnings and average value of customer have improved, providing a solid basis for future growth.

We are investing in website improvements and marketing campaigns to increase further our customer acquisition, with an increase in campaign activity planned from October next year to coincide with seasonal investor activity. We have developed and launched a new outbound calling capability, which has had good early success. It assists for example, in supporting users of our website to become account holders, customer retention, and transfer-in of funds from competitors. As a result we continue to commit further resources to the outbound team.

The Interactive Investor trading platform was built deliberately to serve both our own customers and customers of third parties under multiple brand names. The platform currently serves customers under the Interactive Investor and Shareprice brand names. Our strategy is to build up a substantial partnership business under which we share revenues with third parties who use our platform for their customers. As our platform is new, unlike those of many of our competitors, we believe we have an efficiency edge, which is now helping us win in the partnership market. We have signed our first third party contract, which is scheduled to go live late 2013 and are nearing completion on a number of other agreements. Along these lines, we will also launch next year a simple execution-only investment offering to our own 400,000 Moneywise website users, targeted at 'new to investing' customers. The product will carry the Moneywise brand name, powered by Interactive Investor.

# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2013**

From July 2012 we have been rebating all trail commission to holders of funds. This early and bold move positioned us on the customers' side in contrast to many other platforms, which still retain trail and which will carry on doing so until trail is abolished under RDR2 from April 2014 (and until April 2016 for legacy business). We believe that as competitor platforms introduce other charges to customers in order to compensate for their lost trail commission, our own pricing will be seen as providing excellent value. It is clear and simple: we charge £10 per trade, £5 for frequent trades, £1.50 for regular investments, a minimum payment of £20 per quarter for which customers get two free trades each quarter, finally, and importantly, no percentage-based charges.

While traditionally our customers have been mainly investors in individual equities, our fund business is also growing strongly. In the first seven months of calendar 2013 i.e. since the start of RDR, gross fund investments made by our customers have increased by 214% on our platform compared to the same period in 2012. We are not aware of any other fund platform achieving such high rates of growth.

A trend that RDR is likely to support is for investors to seek additional, and more detailed, information about funds, and to make their investments on a DIY basis. We believe that under RDR, fund managers will increasingly need to reach investors directly. To provide DIY investors with more detailed information about funds, the fund section of the website is currently being redesigned. This will provide an excellent environment for both fund investors and fund groups. To date, we have reached agreement with three fund management groups to participate in our new service, which will provide them with a route to communicate directly to investors on the fund section of our website, when it is re-launched this autumn.

The quoted company profile pages provide our site users with company information, news, analysis, charts, profiles and videos. These pages have among the highest traffic on the Interactive Investor website, because of the strong interest that DIY investors have in this type of content. We are restructuring these pages to ensure that our company profiles are best of breed.

We are also creating flexibility within the company profile pages to accommodate paid-for company enhancement, which is the core component of a new subscription service we are offering to quoted companies. The service provides UK quoted companies with a retail investor relations platform, which is one part communication channel and one part content aggregator/promoter.

Following the significant changes and re-organisation which took place last year, we have put in place a plan for the current year which we believe is an ambitious one but, at the same time, an achievable plan. The re-organised management team is specifically focused and incentivised on delivering a good return for Shareholders. In summary, we view the future with optimism.

# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT (CONTINUED)**

### ***FOR THE YEAR ENDED 30 JUNE 2013***

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 12

No dividend was paid or proposed to the equity shareholders (2012 nil)

#### **Directors**

The following Directors have held office since 1 July 2012

A Seale (Appointed 1 July 2012)

B Bicknell (Appointed 1 July 2012)

J Gunn

P Dicks

B Macfarlane

N Brngstocke

M Horrocks

T Carruthers (Resigned 28 September 2012)

#### **Financial instruments**

The Group's principal financial instruments comprise its preference shares

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The Group does not enter into derivative transactions. It was the Group's policy throughout the year under review, and remains so, that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest and liquidity risk. The Board monitors these risks and the position in relation to liquidity is more fully explained above.

#### **Directors' Key Performance Indicators**

Directors use the following measures to judge performance

- Earnings before interest tax, depreciation and amortisation
- Increase in assets under management
- Unique visitors to the Group's websites
- Increase in number of funded trading accounts

Details of these are set out in the review of the business

#### **Supplier payment policy**

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

The number of days' purchases ("creditor days") outstanding for payment by the Group at the year-end was 54 days (2012 219).

# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT (CONTINUED)**

### ***FOR THE YEAR ENDED 30 JUNE 2013***

#### **Monitoring and managing risk**

The Directors of Interactive Investor PLC constantly monitor and manage various operating, market and financial risks. The risk implications of all significant business decisions and inherent business risks are reassessed on a regular basis to ensure that changes in the operational or external environment are identified and appropriately managed.

The key risks are as follows:

#### **Operational**

A system failure of our broking platform is considered a key risk, to mitigate this risk, data recovery procedures have been set up and the source code for this system securely stored off site.

#### **Market**

If trade volumes were to substantially decline due to instability in the market, a change in legislation or a change in FCA requirements. To mitigate this risk the Directors consider the current pricing model in terms of competitors and constantly assess the potential impact of legislative and FCA requirements on the current offering. This combined with a vigilant compliance process ensures the Group can respond appropriately.

#### **Financial**

Exposure to interest rate fluctuations or liquidity shortages. The Directors have implemented a robust treasury policy and regularly review the credit worthiness of financial institutions where funds are held. The Group manages its liquidity risk through the use of regularly updated cash flow forecasts and liquidity headroom analysis to determine funding requirements.



# **INTERACTIVE INVESTOR PLC**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2013**

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' 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). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

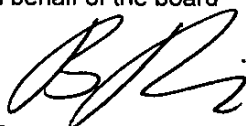
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of disclosure to auditors**

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the board



B Bicknell  
Director

11 November 2013

# **INTERACTIVE INVESTOR PLC**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF INTERACTIVE INVESTOR PLC**

We have audited the Group and parent Company financial statements (the "financial statements") on pages 12 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of Directors and auditors**

As more fully explained in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at

[http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and parent Company's affairs as at 30 June 2013 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INTERACTIVE INVESTOR PLC**  
**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE MEMBERS OF INTERACTIVE INVESTOR PLC**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and
- 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

*David Fenton for Baker Tilly UK Audit LLP 11/11/2013*

David Fenton (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

# INTERACTIVE INVESTOR PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

|                                      | Notes | 2013<br>£         | 2012<br>£          |
|--------------------------------------|-------|-------------------|--------------------|
| Turnover                             | 2     | 14,123,212        | 12,148,872         |
| Cost of sales                        |       | (2,435,186)       | (3,778,277)        |
| <b>Gross profit</b>                  |       | <b>11,688,026</b> | <b>8,370,595</b>   |
| Administrative expenses              |       | (11,754,827)      | (11,453,997)       |
| <b>Operating loss</b>                | 3     | <b>(66,801)</b>   | <b>(3,083,402)</b> |
| Interest payable and similar charges | 4     | (49,827)          | (160,796)          |
| <b>Loss on ordinary activities</b>   |       | <b>(116,628)</b>  | <b>(3,244,198)</b> |
| Tax on loss on ordinary activities   |       | -                 | -                  |
| <b>Loss on ordinary activities</b>   | 16    | <b>(116,628)</b>  | <b>(3,244,198)</b> |

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

# INTERACTIVE INVESTOR PLC

## BALANCE SHEETS

AS AT 30 JUNE 2013

|                                                                |       | Group            |                    | Company            |                    |
|----------------------------------------------------------------|-------|------------------|--------------------|--------------------|--------------------|
|                                                                | Notes | 2013             | 2012               | 2013               | 2012               |
|                                                                |       | £                | £                  | £                  | £                  |
| <b>Fixed assets</b>                                            |       |                  |                    |                    |                    |
| Intangible assets                                              | 7     | 139,701          | 203,641            | -                  | 1,783              |
| Tangible assets                                                | 8     | 601,351          | 778,535            | -                  | -                  |
| Investments                                                    | 9     | -                | -                  | 27,404,851         | 21,607,149         |
|                                                                |       | <u>741,052</u>   | <u>982,176</u>     | <u>27,404,851</u>  | <u>21,608,932</u>  |
| <b>Current assets</b>                                          |       |                  |                    |                    |                    |
| Stocks                                                         | 10    | -                | 7,500              | -                  | -                  |
| Debtors amounts falling due within one year                    | 11    | 2,361,289        | 2,319,271          | 256,378            | 203,654            |
| Debtors amounts falling due after more than one year           | 11    | 123,658          | 140,499            | -                  | -                  |
| Cash at bank and in hand                                       |       | 2,430,860        | 190,609            | 1,641              | 635                |
|                                                                |       | <u>4,915,807</u> | <u>2,657,879</u>   | <u>258,019</u>     | <u>204,289</u>     |
| <b>Creditors: amounts falling due within one year</b>          | 12    | (1,678,246)      | (4,310,241)        | (4,323,124)        | (6,219,348)        |
| <b>Net current assets/(liabilities)</b>                        |       | <u>3,237,561</u> | <u>(1,652,362)</u> | <u>(4,065,105)</u> | <u>(6,015,059)</u> |
| <b>Total assets less current liabilities</b>                   |       | <u>3,978,613</u> | <u>(670,186)</u>   | <u>23,339,746</u>  | <u>15,593,873</u>  |
| <b>Creditors: amounts falling due after more than one year</b> | 13    | (347,730)        | (1,499,900)        | (347,730)          | (1,770,434)        |
| <b>Net assets/(liabilities)</b>                                |       | <u>3,630,883</u> | <u>(2,170,086)</u> | <u>22,992,016</u>  | <u>13,823,439</u>  |
| <b>Capital and reserves</b>                                    |       |                  |                    |                    |                    |
| Called up share capital                                        | 15    | 118,948          | 68,770             | 118,948            | 68,770             |
| Share premium account                                          | 16    | 18,095,075       | 12,259,997         | 18,095,075         | 12,259,997         |
| Other reserves                                                 | 16    | 359,357          | 327,016            | 359,357            | 327,016            |
| Profit and loss account                                        | 16    | (14,942,497)     | (14,825,869)       | 4,418,636          | 1,167,656          |
| <b>Shareholders' funds/(deficit)</b>                           | 17    | <u>3,630,883</u> | <u>(2,170,086)</u> | <u>22,992,016</u>  | <u>13,823,439</u>  |

Approved by the Board and authorised for issue on 11 November 2013

B Bicknell  
Director



Company Registration No. 4752535 (England and Wales)

# INTERACTIVE INVESTOR PLC

## CONSOLIDATED CASH FLOW STATEMENT

**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                             | £         | 2013<br>£        | £         | 2012<br>£        |
|-----------------------------------------------------------------------------|-----------|------------------|-----------|------------------|
| <b>Net cash outflow from operating activities</b>                           |           | (3,364,459)      |           | (1,883,424)      |
| Interest paid                                                               | -         |                  | -         |                  |
| <b>Net cash outflow for returns on investments and servicing</b>            |           | -                |           | -                |
| <b>Taxation</b>                                                             |           | -                |           | (8,068)          |
| <b>Capital expenditure</b>                                                  |           |                  |           |                  |
| Payments to acquire tangible assets                                         | (230,368) |                  | (449,470) |                  |
| <b>Net cash outflow for capital expenditure</b>                             |           | (230,368)        |           | (449,470)        |
| <b>Net cash outflow before management of liquid resources and financing</b> |           | (3,594,827)      |           | (2,340,962)      |
| <b>Financing</b>                                                            |           |                  |           |                  |
| Issue of ordinary shares                                                    | 6,148,010 |                  | -         |                  |
| Issue of convertible loan notes                                             | -         |                  | 1,859,000 |                  |
| Legal and consulting charged against share premium                          | (312,932) |                  | -         |                  |
| Repayment of other long term loans                                          | -         |                  | -         |                  |
| <b>Net cash inflow from financing</b>                                       |           | 5,835,078        |           | 1,859,000        |
| <b>(Decrease)/increase in cash in the year</b>                              |           | <u>2,240,251</u> |           | <u>(481,962)</u> |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

|                                                                                                                   |                    |                               |                     |
|-------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------|---------------------|
| <b>1 Reconciliation of operating loss to net cash outflow from operating activities</b>                           |                    | <b>2013</b>                   | <b>2012</b>         |
|                                                                                                                   |                    | <b>£</b>                      | <b>£</b>            |
| Operating loss                                                                                                    |                    | (66,801)                      | (3,083,402)         |
| Depreciation of tangible assets                                                                                   |                    | 407,552                       | 354,904             |
| Amortisation of intangible assets                                                                                 |                    | 63,940                        | 135,986             |
| (Increase) in debtors                                                                                             |                    | (25,177)                      | (185,382)           |
| (Decrease)/increase in creditors                                                                                  |                    | (3,783,814)                   | 856,269             |
| Share-based payment                                                                                               |                    | 32,341                        | 38,201              |
| Decrease in stock                                                                                                 |                    | 7,500                         | -                   |
|                                                                                                                   |                    | <hr/>                         | <hr/>               |
| <b>Net cash outflow from operating activities</b>                                                                 |                    | <b>(3,365,459)</b>            | <b>(1,883,424)</b>  |
|                                                                                                                   |                    | <hr/>                         | <hr/>               |
| <b>2 Analysis of net debt</b>                                                                                     |                    | <b>Other non-cash changes</b> | <b>30 June 2013</b> |
|                                                                                                                   | <b>1 July 2012</b> | <b>Cash flow</b>              |                     |
|                                                                                                                   | <b>£</b>           | <b>£</b>                      | <b>£</b>            |
| Net cash                                                                                                          |                    |                               |                     |
| Cash at bank and in hand                                                                                          | 190,609            | 2,240,251                     | -                   |
|                                                                                                                   | <hr/>              | <hr/>                         | <hr/>               |
| Debts falling due within one year                                                                                 | (984,355)          | -                             | 728,487             |
| Debts falling due after one year                                                                                  | (1,499,900)        | -                             | 1,152,170           |
|                                                                                                                   | <hr/>              | <hr/>                         | <hr/>               |
| <b>Net debt</b>                                                                                                   | <b>(2,293,646)</b> | <b>2,240,251</b>              | <b>1,880,657</b>    |
|                                                                                                                   | <hr/>              | <hr/>                         | <hr/>               |
| Other non-cash changes represent the conversion of preference shares and accumulated dividends to ordinary shares |                    |                               |                     |
| <b>3 Reconciliation of net cash flow to movement in net debt</b>                                                  |                    | <b>2013</b>                   | <b>2012</b>         |
|                                                                                                                   |                    | <b>£</b>                      | <b>£</b>            |
| Increase/(decrease) in cash in the year                                                                           |                    | 2,240,251                     | (481,962)           |
| Non cash changes in net debt                                                                                      |                    | 1,880,657                     | (119,992)           |
|                                                                                                                   |                    | <hr/>                         | <hr/>               |
| <b>Movement in net debt in the year</b>                                                                           |                    | <b>4,120,908</b>              | <b>(601,954)</b>    |
| Opening net debt                                                                                                  |                    | (2,293,646)                   | (1,691,692)         |
|                                                                                                                   |                    | <hr/>                         | <hr/>               |
| <b>Closing net debt</b>                                                                                           |                    | <b>1,827,262</b>              | <b>(2,293,646)</b>  |
|                                                                                                                   |                    | <hr/>                         | <hr/>               |

# **INTERACTIVE INVESTOR PLC**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2013**

#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention

##### **1.2 Going concern**

The Group have prepared detailed forecasts and projections for the period beyond 12 months from the date of approval of these accounts. These projections show the Group (and hence Company) should be able to operate within the level of its current term facility. The Company and its fellow trading Group Companies will continue to be reliant on each other. Where there is formal agreement between the parties that intra Group loans are not repayable for a period which extends greater than one year after the balance sheet date, these amounts are classified as due after more than one year.

The Parent Company has undertaken to provide additional capital to its wholly owned subsidiaries to fund their operations going forward as required. It has also undertaken to underwrite the costs of services incurred by its wholly owned subsidiaries in the conduct of their business.

Having considered fully the above, the Directors have a reasonable expectation that the Group (and hence Company) has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **1.3 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

##### **1.4 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2013. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.



**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1 Accounting policies (continued)**

**1.5 Turnover**

Turnover represents the amounts (excluding value added tax) derived from trading transactions, advertising and magazine publishing

Transactions-related revenue is derived from the following types of transactions initial and trail commission from the sale of unit trusts and ISA's, commissions on equity and derivative trades and a share of interest margin on client cash deposits held in investment accounts All transactions-related revenue is billed and recognised as revenue in the period that the transaction occurs

Advertising revenue is earned in the form of upfront and variable payments dependent on delivery of a required number of advert impressions or on the number of referrals / applications generated and in the form of revenue share arrangements Upfront and periodic payments are deferred and recognised as revenue over the period and level of advert impressions to which the contract relates Revenue in relation to referral / application or revenue share dependent contracts is recognised in the period that the relevant referral / application occurs

**1.6 Goodwill**

Goodwill is being written off in equal annual instalments over its estimated useful economic life of seven years

**1.7 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

|                                |                            |
|--------------------------------|----------------------------|
| Land and buildings leasehold   | 33 33% straight line       |
| Fixtures, fittings & equipment | 20% - 33 33% straight line |
| Computer equipment             | 20% - 33 33% straight line |

**1.8 Leasing**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1 Accounting policies (continued)**

**1.9 Investments**

Fixed asset investments are stated at cost less provision for impairment

**1.10 Stock**

Stock is valued at the lower of cost and net realisable value

**1.11 Pensions**

The Group 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.

**1.12 Deferred taxation**

Deferred taxation is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that may result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non discounted basis.

**1.13 Share-based payments**

Certain Group employees, including Directors, are rewarded with share-based instruments. In accordance with the requirements of FRS 20 "Share-based payment", the Group has applied FRS 20 to all equity settled share options granted after 7 November 2002 that were unvested at 1 July 2006. These share-based instruments are stated at fair value at the date of grant and this is expensed on a straight line basis over the estimated vesting period. The fair value calculation is based upon the Group's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes-Merton valuation model. The estimated life of the instrument used in the model is adjusted for management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

**1.14 Government Grants**

Government grants on capital expenditure are credited to a deferral account and are released to revenue by equal annual amounts over the expected useful life of the asset to which they relate.

Grants of a revenue nature are credited to income in the period to which they relate.

**2 Turnover**

The total turnover of the Group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

|          |                                                                                                                                    |                   |                   |
|----------|------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>3</b> | <b>Loss on ordinary activities before tax</b>                                                                                      | <b>2013</b>       | <b>2012</b>       |
|          |                                                                                                                                    | <b>£</b>          | <b>£</b>          |
|          | Loss on ordinary activities before tax is stated after charging/(crediting)                                                        |                   |                   |
|          | Net SDI Grant received                                                                                                             | -                 | (486,145)         |
|          | Depreciation of tangible assets                                                                                                    | 407,552           | 354,904           |
|          | Amortisation of intangible assets                                                                                                  | 63,940            | 135,986           |
|          | Loss on foreign exchange transactions                                                                                              | 7,479             | 7,889             |
|          | Operating lease rentals                                                                                                            |                   |                   |
|          | - Land and buildings                                                                                                               | 349,374           | 349,374           |
|          | - Plant and equipment                                                                                                              | 94,571            | 94,571            |
|          | Auditors' remuneration (Company £15,000, 2012 £15,000)                                                                             | 70,000            | 55,000            |
|          | Remuneration of associates of the auditors for non-audit work                                                                      |                   |                   |
|          | - Taxation compliance services                                                                                                     | 16,000            | -                 |
|          | Exceptional project related costs                                                                                                  | -                 | 857,519           |
|          | Exceptional dispute costs                                                                                                          | -                 | 296,233           |
|          | Exceptional restructuring costs                                                                                                    | 941,113           | 20,672            |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
| <b>4</b> | <b>Interest payable</b>                                                                                                            | <b>2013</b>       | <b>2012</b>       |
|          |                                                                                                                                    | <b>£</b>          | <b>£</b>          |
|          | On other loans                                                                                                                     | -                 | 40,804            |
|          | Dividends on preference shares classified as debt                                                                                  | 49,827            | 119,992           |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          |                                                                                                                                    | 49,827            | 160,796           |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
| <b>5</b> | <b>Taxation</b>                                                                                                                    | <b>2013</b>       | <b>2012</b>       |
|          | <b>Total current tax</b>                                                                                                           | <b>-</b>          | <b>-</b>          |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          | <b>Factors affecting the tax charge for the year</b>                                                                               |                   |                   |
|          | Loss on ordinary activities before taxation                                                                                        | (116,628)         | (3,244,198)       |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          | Loss on ordinary activities before taxation multiplied by the average standard rate of UK corporation tax of 23.75% (2012 - 25.5%) | (27,700)          | (827,269)         |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          | Effects of                                                                                                                         |                   |                   |
|          | Non deductible expenses                                                                                                            | 16,928            | 61,281            |
|          | Depreciation add back                                                                                                              | 109,802           | 125,150           |
|          | Capital allowances                                                                                                                 | (97,345)          | (136,140)         |
|          | Non-chargeable income                                                                                                              | (105,393)         | -                 |
|          | Tax losses carried forward                                                                                                         | 103,708           | 776,978           |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          |                                                                                                                                    | 27,700            | 827,269           |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |
|          | <b>Current tax charge for the year</b>                                                                                             | <b>-</b>          | <b>-</b>          |
|          |                                                                                                                                    | <u>          </u> | <u>          </u> |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

The Group has estimated losses of £11.7 million (2012 - £10.7 million) available for carry forward against future trading profits

The Group is unable to utilise these losses other than by way of offsetting against future profits. Given the uncertainty over the timing of the future utilisation of these losses no deferred tax assets have been recognised in respect of them.

**6 Loss for the financial year**

As permitted by section 408 of the Companies Act 2006, the holding Company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

|                                                        | <b>2013</b>      | <b>2012</b>        |
|--------------------------------------------------------|------------------|--------------------|
|                                                        | <b>£</b>         | <b>£</b>           |
| Holding Company's profit/(loss) for the financial year | <u>3,250,980</u> | <u>(6,721,316)</u> |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**7 Intangible fixed assets**  
**Group**

|                                  | <b>Company<br/>Goodwill<br/>£</b> | <b>Group<br/>Goodwill<br/>£</b> |
|----------------------------------|-----------------------------------|---------------------------------|
| <b>Cost</b>                      |                                   |                                 |
| At 1 July 2012 & at 30 June 2013 | 1,447,680                         | 1,918,781                       |
| <b>Amortisation</b>              |                                   |                                 |
| At 1 July 2012                   | 1,445,897                         | 1,715,140                       |
| Charge for the year              | 1,783                             | 63,940                          |
| At 30 June 2013                  | 1,447,680                         | 1,779,080                       |
| <b>Net book value</b>            |                                   |                                 |
| At 30 June 2013                  | -                                 | 139,701                         |
| At 30 June 2012                  | 1,783                             | 203,641                         |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**8 Tangible fixed assets**  
**Group**

|                       | Land and<br>buildings<br>leasehold<br>improvement | Computer<br>equipment | Fixtures,<br>fittings &<br>equipment | Total     |
|-----------------------|---------------------------------------------------|-----------------------|--------------------------------------|-----------|
|                       | £                                                 | £                     | £                                    | £         |
| <b>Cost</b>           |                                                   |                       |                                      |           |
| At 1 July 2012        | 206,175                                           | 2,662,730             | 115,545                              | 2,984,450 |
| Additions             | -                                                 | 230,368               | -                                    | 230,368   |
| Disposals             | -                                                 | -                     | -                                    | -         |
| At 30 June 2013       | 206,175                                           | 2,893,098             | 115,545                              | 3,214,818 |
| <b>Depreciation</b>   |                                                   |                       |                                      |           |
| At 1 July 2012        | 206,175                                           | 1,890,909             | 108,831                              | 2,205,915 |
| Charge for the year   | -                                                 | 406,478               | 1,074                                | 407,552   |
| Disposals             | -                                                 | -                     | -                                    | -         |
| At 30 June 2013       | 206,175                                           | 2,297,387             | 109,905                              | 2,613,467 |
| <b>Net book value</b> |                                                   |                       |                                      |           |
| At 30 June 2013       | -                                                 | 595,711               | 5,640                                | 601,351   |
| At 30 June 2012       | -                                                 | 771,821               | 6,714                                | 778,535   |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**9 Fixed asset investments**

| <b>Company</b>                  | <b>Loans to<br/>Group<br/>undertakings</b> | <b>Shares in<br/>Group<br/>undertakings</b> | <b>Total</b> |
|---------------------------------|--------------------------------------------|---------------------------------------------|--------------|
|                                 | <b>£</b>                                   | <b>£</b>                                    | <b>£</b>     |
| <b>Cost</b>                     |                                            |                                             |              |
| At 1 July 2012                  | 23,023,724                                 | 4,180,484                                   | 27,204,208   |
| Transferred from current assets | 5,797,702                                  | -                                           | 5,797,702    |
|                                 |                                            |                                             |              |
| At 30 June 2013                 | 28,821,426                                 | 4,180,484                                   | 33,001,910   |
|                                 |                                            |                                             |              |
| <b>Provision for impairment</b> |                                            |                                             |              |
| At 1 July 2012                  | 5,597,059                                  | -                                           | 5,597,059    |
| Provision for the year          | -                                          | -                                           | -            |
|                                 |                                            |                                             |              |
| At 30 June 2013                 | 5,597,059                                  | -                                           | 5,597,059    |
|                                 |                                            |                                             |              |
| <b>Net book value</b>           |                                            |                                             |              |
| At 30 June 2013                 | 23,224,367                                 | 4,180,484                                   | 27,404,851   |
|                                 |                                            |                                             |              |
| At 30 June 2012                 | 17,426,665                                 | 4,180,484                                   | 21,607,149   |

Amounts owed to the Company by Capital Accumulation Services Limited have been capitalised in loans to Group undertakings as the loan is considered to be long term. This loan has been previously impaired. Impairment has been measured using a "value in use" methodology. A discount rate of 12% has been applied. Growth rates are based on one year's detailed budget and two years growth with no growth thereafter. The growth rate is higher than the average UK long term growth rate for two years on the basis of comparable sector information and anticipated reaction to the Retail Distribution Review (RDR). In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

**Holdings of more than 20%**

The Company holds more than 20% of the share capital of the following significant trading entities

| <b>Company</b>                        | <b>Country of registration or<br/>incorporation</b> | <b>Shares held</b> |          |
|---------------------------------------|-----------------------------------------------------|--------------------|----------|
|                                       |                                                     | <b>Class</b>       | <b>%</b> |
| <b>Subsidiary undertakings</b>        |                                                     |                    |          |
| Capital Accumulation Services Limited | England and Wales                                   | Ordinary           | 100      |
| Interactive Investor Trading Limited  | England and Wales                                   | Ordinary           | 100      |
| Moneywise Publishing Limited          | England and Wales                                   | Ordinary           | 100      |

The principal activity of these undertakings for the last relevant financial year was as follows

|                                       | <b>Principal activity</b>                                 |
|---------------------------------------|-----------------------------------------------------------|
| Capital Accumulation Services Limited | Financial products information and service provider       |
| Interactive Investor Trading Limited  | Financial products information and transactional services |
| Moneywise Publishing Limited          | Magazine publisher                                        |

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**10 Stocks**

|                                     | <b>Group</b> |             | <b>Company</b> |             |
|-------------------------------------|--------------|-------------|----------------|-------------|
|                                     | <b>2013</b>  | <b>2012</b> | <b>2013</b>    | <b>2012</b> |
|                                     | <b>£</b>     | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Finished goods and goods for resale | -            | 7,500       | -              | -           |

**11 Debtors**

|                                    | <b>Group</b>     |                  | <b>Company</b> |                |
|------------------------------------|------------------|------------------|----------------|----------------|
|                                    | <b>2013</b>      | <b>2012</b>      | <b>2013</b>    | <b>2012</b>    |
|                                    | <b>£</b>         | <b>£</b>         | <b>£</b>       | <b>£</b>       |
| Trade debtors                      | 780,297          | 719,487          | -              | -              |
| Amounts owed by Group undertakings | -                | -                | 92,018         | -              |
| Other debtors                      | 546,531          | 624,049          | 134,416        | 203,654        |
| Prepayments and accrued income     | 1,158,119        | 1,116,234        | 29,944         | -              |
|                                    | <u>2,484,947</u> | <u>2,459,770</u> | <u>256,378</u> | <u>203,654</u> |

Amounts falling due after more than one year and included in the debtors above are

|               | <b>2013</b>    | <b>2012</b>    | <b>2013</b> | <b>2012</b> |
|---------------|----------------|----------------|-------------|-------------|
|               | <b>£</b>       | <b>£</b>       | <b>£</b>    | <b>£</b>    |
| Other debtors | <u>123,658</u> | <u>140,499</u> | <u>-</u>    | <u>-</u>    |



**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**12 Creditors : amounts falling due within one year**

|                                    | <b>Group</b>     |                  | <b>Company</b>   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | <b>2013</b>      | <b>2012</b>      | <b>2013</b>      | <b>2012</b>      |
|                                    | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         |
| Trade creditors                    | 362,775          | 2,268,053        | 63,998           | 265,083          |
| Amounts owed to Group undertakings | -                | -                | 4,046,027        | 4,593,910        |
| Taxes and social security costs    | 185,508          | 350,871          | (128,768)        | -                |
| Other creditors                    | 600,343          | 1,017,387        | 206,026          | 984,355          |
| Accruals and deferred income       | 529,620          | 673,930          | 135,841          | 376,000          |
|                                    | <u>1,678,246</u> | <u>4,310,241</u> | <u>4,323,124</u> | <u>6,219,348</u> |

Other creditors includes £255,868 (2012 £984,335) accumulated preference share dividend representing the total amount accrued since April 2004

**13 Creditors : amounts falling due after more than one year**

|                                                    | <b>Group</b>   |                  | <b>Company</b> |                  |
|----------------------------------------------------|----------------|------------------|----------------|------------------|
|                                                    | <b>2013</b>    | <b>2012</b>      | <b>2013</b>    | <b>2012</b>      |
|                                                    | <b>£</b>       | <b>£</b>         | <b>£</b>       | <b>£</b>         |
| Amounts owed to Group undertakings                 | -              | -                | -              | 270,534          |
| Preference shares classed as a financial liability | 347,730        | 1,499,900        | 347,730        | 1,499,900        |
|                                                    | <u>347,730</u> | <u>1,499,900</u> | <u>347,730</u> | <u>1,770,434</u> |

Rights and obligations relating to the preference shares are fully detailed in note 15 to the financial statements

**14 Pension and other post-retirement benefit commitments**

**Defined contribution**

|                                                                                          | <b>2013</b>     | <b>2012</b>     |
|------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                          | <b>£</b>        | <b>£</b>        |
| Contributions payable by the Company for the year                                        | 227,824         | 253,307         |
| Contributions payable by the Group to the fund at the year end and included in creditors | <u>(31,500)</u> | <u>(27,809)</u> |

# **INTERACTIVE INVESTOR PLC** **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

## **FOR THE YEAR ENDED 30 JUNE 2013**

| 15 | Share capital                                         | 2013<br>£      | 2012<br>£     |
|----|-------------------------------------------------------|----------------|---------------|
|    | <b>Allotted, called up and fully paid</b>             |                |               |
|    | 505,752 (2012 343,850) Ordinary shares of £0 20 each  | 101,152        | 68,770        |
|    | 23,727 (2012 0) Ordinary Shares 'C' deferred of £0 75 | 17,796         | -             |
|    |                                                       | <u>118,948</u> | <u>68,770</u> |

On 20 September 2012 following approval at a general meeting of shareholders, the Company issued 74,753 ordinary shares at £40 per share, raising £2,990,120 new capital. A further 44,591 ordinary shares were issued to Preference Shareholders, as a result of agreements to convert 21,301 preference shares and the associated accrued dividend of £718,667 at a rate of £40 per ordinary share. A bonus issue of 5,225 ordinary shares was distributed to shareholders who converted loan notes on 27 February 2012 to bring their original conversion price in line with the 20 September 2012 share price of £40 per share.

As a result of the oversubscription for the 20 September Open Offer, the Company agreed to accept further subscription applications up to 14 October. This resulted in the Company issuing a further 18,866 ordinary shares at £40 per share, raising £754,640 new capital. A further 2,096 ordinary shares were issued to Preference Shareholders as a result of agreements to convert 998 preference shares and the associated accrued dividend of £33,920.

Following an EGM of shareholders, the Board was given the authority to (at its discretion) issue and allot a further 25,000 shares without pre-emption to enable the Company to fill the full application for shares (from 14 October). On 26 November, the Company issued 8,142 ordinary shares at £40 per share and a further 906 ordinary shares were issued to Preference Shareholders as a result of agreements to convert 430 preference shares and the associated accrued dividend of £14,470.

As a result of the preference share conversions from September to November, the Company also issued 23,727 of 'C' deferred shares to Preference Shareholders at a rate of £0 75 per share to maintain the nominal value of ordinary shares.

On 22 February 2013, the Board approved the allotment of 5,500 ordinary shares at £40 per ordinary share and a further 612 ordinary shares were issued to Preference Shareholders as a result of agreements to convert 287 preference shares and the associated dividend of £10,145.

On 27 March 2013, the Board approved the allotment of 500 ordinary shares at £40 per ordinary share and a further 56 ordinary shares were issued to Preference Shareholders as a result of agreements to convert 27 preference shares and the associated dividend of £933.

On 31 May 2013, the Board approved the allotment of 625 ordinary shares at £40 per ordinary share.

In addition to the ordinary shares disclosed above, there are 6,955 (2012 29,998) £50 preference shares allotted called up and fully paid. The preference shareholders shall be entitled to (in priority to payment of any dividend to holders of ordinary shares) a fixed cumulative preferential dividend at the rate of 8% per annum accruing on a daily basis on the subscription price for such shares, paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December. On a return of assets on a liquidation, reduction of capital or otherwise, the preference shares rank above ordinary shares. In the event of a sale the preference shares rank above ordinary shares.

Save as may be expressly set out in the articles the ordinary shares and preference shares are treated on a *pari passu* basis.

The ordinary shares carry the rights to distributable profits, and, on a winding-up, to all surplus capital remaining after the payment of all other debts and liabilities and preferential obligations.

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**15 Share capital**

**(continued)**

The Preference shareholders, and the Ordinary shareholders shall be entitled to receive notice of, to attend, and to vote at, general meetings of the Company, every Preference shareholder, and Ordinary shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, shall have one vote on a show of hands and on a poll every Preference shareholder and Ordinary shareholder so present shall have one vote for each Preference share or Ordinary share (as the case may be) held

Deferred shareholders are not entitled to any dividend or other distribution in respect of their holding of such shares. Further, deferred shareholders shall not be entitled to receive notice of, or to attend or vote at any general meeting of the Company

The Group operates five share option schemes (one of which is an Inland Revenue approved scheme) under which options for shares have been granted to Directors and employees. The options on three of the schemes vest and become immediately exercisable on the date of grant with respect to 25% of the Option Shares and shall thereafter vest and become exercisable with respect to the remaining 75% of the Option Shares in equal instalments of 25% of the Option Shares on each of the first, second and third anniversaries of the date of grant. The options on one of the schemes vest and become immediately exercisable on the date of grant with respect to 100% of the Option Shares. One of the schemes only vest on the achievement of performance criteria of either achieving £3 million profit before tax or on achieving an Ordinary Share price of £100. The Company has issued four rounds of options under these schemes and the numbers outstanding as at 30 June 2013 were as follows

|                          | <b>Round 1</b> | <b>Round 2</b> | <b>Round 3</b> | <b>Round 4</b> |
|--------------------------|----------------|----------------|----------------|----------------|
| Exercise price           | £61 11         | £72 11         | £72 11         | £32 00         |
| Expiry date              | 23/06/2014     | 30/03/2015     | 16/02/2017     | 17/05/2020     |
| Number granted           | 9,840          | 1,440          | 8,673          | 23,111         |
| Outstanding 1 July 2010  | 4,284          | 881            | 6,721          | 23,312         |
| Granted                  | -              | -              | -              | -              |
| Exercised                | -              | -              | -              | -              |
| Lapsed                   | (298)          | -              | (395)          | (1,120)        |
| Outstanding 30 June 2011 | <u>3,986</u>   | <u>881</u>     | <u>6,326</u>   | <u>22,192</u>  |
| Outstanding 1 July 2011  | 3,986          | 881            | 6,326          | 22,192         |
| Granted                  | -              | -              | -              | -              |
| Exercised                | -              | -              | -              | -              |
| Lapsed                   | -              | -              | -              | (1,381)        |
| Outstanding 30 June 2012 | <u>3,986</u>   | <u>881</u>     | <u>6,326</u>   | <u>20,811</u>  |
| Outstanding 1 July 2012  | 3,986          | 881            | 6,326          | 20,811         |
| Granted                  | -              | -              | -              | -              |
| Exercised                | -              | -              | -              | -              |
| Lapsed                   | -              | -              | -              | (1,073)        |
| Outstanding 30 June 2013 | <u>3,986</u>   | <u>881</u>     | <u>6,326</u>   | <u>19,738</u>  |

At 30 June 2013 23,680 (2012 23,330) of these options were exercisable

**INTERACTIVE INVESTOR PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**15 Share capital**

**(continued)**

The fair value of the options was calculated by applying the Black Scholes option valuation model. The model inputs were:

|                           |         |         |         |         |
|---------------------------|---------|---------|---------|---------|
| - Share price             | £61.11  | £72.11  | £72.11  | £32     |
| - Exercise price          | £61.11  | £72.11  | £72.11  | £32     |
| - Expected volatility     | 30%     | 30%     | 25%     | 30.31%  |
| - Expected dividends      | 0%      | 0%      | 0%      | 0%      |
| - Expected life           | 3 years | 3 years | 3 years | 5 years |
| - Risk-free interest rate | 5.16%   | 4.76%   | 5.33%   | 2.36%   |
| Fair value of Option      | £16.41  | £19.03  | £17.41  | £9.90   |

**16 Statement of movements on reserves**  
**Group**

|                                          | Share<br>premium<br>account | Share<br>option<br>reserve | Profit and<br>loss<br>account |
|------------------------------------------|-----------------------------|----------------------------|-------------------------------|
|                                          | £                           | £                          | £                             |
| Balance at 1 July 2012                   | 12,259,997                  | 327,016                    | (14,825,869)                  |
| Loss for the year                        | -                           | -                          | (116,628)                     |
| Premium on shares issued during the year | 5,835,078                   | -                          | -                             |
| Share options valuation adjustment       | -                           | 32,341                     | -                             |
| Balance at 30 June 2013                  | <u>18,095,075</u>           | <u>359,357</u>             | <u>(14,942,497)</u>           |

**Company**

|                                      | Share<br>premium<br>account | Share<br>option<br>reserve | Profit and<br>loss<br>account |
|--------------------------------------|-----------------------------|----------------------------|-------------------------------|
|                                      | £                           | £                          | £                             |
| Balance at 1 July 2012               | 12,259,997                  | 327,016                    | 1,167,656                     |
| Profit for the year                  | -                           | -                          | 3,250,980                     |
| Premium on shares issued in the year | 5,835,078                   | -                          | -                             |
| Share options valuation adjustment   | -                           | 32,341                     | -                             |
| Balance at 30 June 2013              | <u>18,095,075</u>           | <u>359,357</u>             | <u>4,418,636</u>              |

# INTERACTIVE INVESTOR PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2013

#### 16 Statement of movements on reserves (continued)

##### Share Premium Account (Detailed)

|                                                    | Group             | Company           |
|----------------------------------------------------|-------------------|-------------------|
| Balance at 1 July 2012                             | 12,259,997        | 12,259,997        |
| Premium on shares                                  | 6,165,805         | 6,165,805         |
| Legal and consulting charged against share premium | (312,931)         | (312,931)         |
| 'C' Deferred Share Premium                         | (17,796)          | (17,796)          |
| Balance at 30 June 2013                            | <u>18,095,075</u> | <u>18,095,075</u> |

#### 17 Reconciliation of movements in shareholders' funds/(deficit)

| Group                                          | 2013<br>£         | 2012<br>£          |
|------------------------------------------------|-------------------|--------------------|
| Loss for the financial year                    | (116,628)         | (3,244,198)        |
| Proceeds from issue of shares                  | 5,885,256         | 1,891,270          |
| Share options valuation adjustment             | 32,341            | 38,201             |
| Net movement in shareholders' funds            | <u>5,800,969</u>  | <u>(1,314,727)</u> |
| Opening shareholders' deficit                  | (2,170,086)       | (855,359)          |
| Closing shareholders' funds/(deficit)          | <u>3,630,883</u>  | <u>(2,170,086)</u> |
| Company                                        | 2013<br>£         | 2012<br>£          |
| Profit/(loss) for the financial year           | 3,250,983         | (6,721,316)        |
| Proceeds from issue of shares                  | 5,885,253         | 1,891,270          |
| Share options valuation adjustment             | 32,341            | 38,201             |
| Net addition/(decrease) to shareholders' funds | <u>9,168,577</u>  | <u>(4,791,845)</u> |
| Opening shareholders' funds                    | 13,823,439        | 18,615,284         |
| Closing shareholders' funds                    | <u>22,992,016</u> | <u>13,823,439</u>  |

# INTERACTIVE INVESTOR PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2013

#### 18 Financial commitments

At 30 June 2013 the Group had annual commitments under non-cancellable operating leases as follows

|                            | Land and buildings |                | Plant and equipment |               |
|----------------------------|--------------------|----------------|---------------------|---------------|
|                            | 2013               | 2012           | 2013                | 2012          |
|                            | £                  | £              | £                   | £             |
| Expiry date                |                    |                |                     |               |
| Within one year            | 19,800             | 210,000        | -                   | -             |
| Between two and five years | 329,574            | 139,374        | 94,571              | 94,571        |
|                            | <u>349,374</u>     | <u>349,374</u> | <u>94,571</u>       | <u>94,571</u> |

At 30 June 2013 the Company had annual commitments under non-cancellable operating leases as follows

|                            | Land and buildings |                |
|----------------------------|--------------------|----------------|
|                            | 2013               | 2012           |
|                            | £                  | £              |
| Expiry date                |                    |                |
| Within one year            | -                  | 210,000        |
| Between two and five years | 210,000            | -              |
|                            | <u>210,000</u>     | <u>210,000</u> |

#### 19 Directors' emoluments

|                                                         | 2013           | 2012           |
|---------------------------------------------------------|----------------|----------------|
|                                                         | £              | £              |
| Emoluments for qualifying services                      | 841,565        | 359,231        |
| Company pension contributions to money purchase schemes | 36,401         | 29,756         |
|                                                         | <u>877,966</u> | <u>388,987</u> |

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2012 - 1)

Included in the above amount is £305,515 of compensation in consideration for, or in connection with, a person's retirement from office

Emoluments disclosed above include the following amounts paid to the highest paid Director

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| Emoluments for qualifying services                      | 367,906        | 279,231        |
| Company pension contributions to money purchase schemes | 36,401         | 29,756         |
|                                                         | <u>404,307</u> | <u>308,987</u> |

During the year, no share options were exercised by the highest paid Director

# INTERACTIVE INVESTOR PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2013

#### 20 Employees

##### Number of employees

The average monthly number of employees (including Directors) during the year was

|                   | 2013<br>Number | 2012<br>Number |
|-------------------|----------------|----------------|
| Management (Exco) | 8              | 5              |
| Administration    | 111            | 116            |
|                   | <u>119</u>     | <u>121</u>     |

##### Employment costs

|                       | 2013<br>£        | 2012<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 5,119,660        | 5,043,218        |
| SDI Grant received    | -                | (486,145)        |
| Share-based payment   | 32,341           | 38,201           |
| Social security costs | 606,504          | 579,101          |
| Other pension costs   | 227,824          | 253,307          |
|                       | <u>5,986,329</u> | <u>5,427,682</u> |

# INTERACTIVE INVESTOR PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2013

#### 21 Related party relationships and transactions

##### Group

The Group has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the any wholly owned subsidiary undertaking of the Group

During the year, the following transactions were conducted by Directors or companies in which Directors have an interest

|                                                      | 2012                                                | 2013                                                                                      |                                                    |
|------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------|
|                                                      | Ordinary Shares<br>Acquired<br>@ £40 per share<br>£ | Preference shares<br>and accrued<br>dividend thereon<br>conversion<br>@£40 per share<br>£ | Ordinary shares<br>acquired<br>@£40 per share<br>£ |
| <b>Details:</b>                                      |                                                     |                                                                                           |                                                    |
| M Horrocks (SW Nominees Ltd)                         | 305,200                                             | 179,040                                                                                   | 536,920                                            |
| P Dicks                                              | 50,880                                              | -                                                                                         | 55,680                                             |
| B MacFarlane (MMC Venture Ltd)                       | 254,320                                             | -                                                                                         | 345,920                                            |
| J Gunn (W B Nominees Limited)                        | -                                                   | -                                                                                         | 106,960                                            |
| N Brigstocke (Rensburg Client<br>Nominees Ltd - CLT) | -                                                   | -                                                                                         | 24,000                                             |
| B MacFarlane (Heartwood Nominees<br>Limited)         | -                                                   | -                                                                                         | 1,423,360                                          |
| Adam Seale                                           | -                                                   | -                                                                                         | 35,000                                             |
| <b>Total</b>                                         | <b>610,400</b>                                      | <b>179,040</b>                                                                            | <b>2,527,840</b>                                   |

#### 22 Post Balance Sheet Events

No significant post balance sheet events are noted

#### 23 Control

As at 30 June 2013, no persons or entities held a majority interest in the issued share capital of the Group Accordingly, no single shareholder is considered to have overall control of the Group