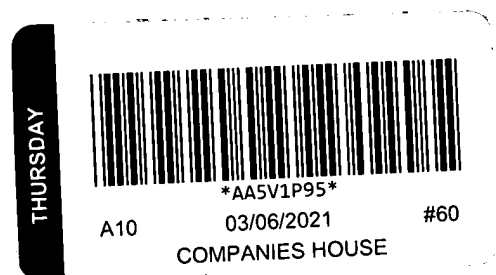


Company Registration No. 03958476

Interactive Brokers (U.K.) Limited

**Annual Report and Financial Statements
For the Year Ended 31 December 2020**



Interactive Brokers (U.K.) Limited

Report and Financial Statements 2020

Contents

Officers and registered office	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities	7
Independent auditor's report to the members of Interactive Brokers (U.K.) Limited	8
Profit and loss account	11
Balance sheet	12
Statement of changes in equity	13
Notes to the accounts	14

Interactive Brokers (U.K.) Limited

Officers and registered office

Directors

Thomas Peterffy
Gerald Perez
Jonathan Chait
Earl Nemser
Paul Brody
William Sirett

Secretary

Paul Brody

Registered office

Level 20
Heron Tower
110 Bishopsgate
London
EC2N 4AY
United Kingdom

Statutory Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

Interactive Brokers (U.K.) Limited

Strategic report

Principal activities

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Interactive Brokers (U.K.) Limited (the “Company”) offers execution and clearing broking services in equity and derivative products to private and institutional clients. It also operates as a client carrying broker dealer, offering unallocated spot gold and silver, contracts for differences, safe custody stock, index futures and options to its carried clients and affiliates. The Company has been authorised to carry out investment business by the Financial Conduct Authority since February 2002.

Future prospects

In 2021, the Company intends to expand the number of clients and to increase the usage of services currently offered.

Corporate Governance; Our statement on Companies Act Section 172

Business plan

Our plan is designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering an excellent service and experience for our customers.

Employee consultation

The Company is committed to attracting, retaining, developing and advancing the most qualified persons without regard to their race, ethnicity, religion, gender, age or disability. This commitment is underpinned by policies on equal opportunities, harassment and discrimination, to which all employees are required to adhere.

Business relationships

The Company believes the fair and equitable treatment of customers, suppliers and other persons is critical to fulfilling its vision and goals. The Company is committed to ensuring that there is no slavery or human trafficking in any part of its business or supply chains and complies fully with section 54(1) of the Modern Slavery Act 2015 under English Law.

Environmental policy

The nature of the Company’s activities is such that it has a minimal direct impact on the environment. However, Management have agreed to adopt Group policies to safeguard the environment and to meet statutory requirements.

Business conduct

Our intention is to behave responsibly and ensure that Management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan.

Members of the Board

As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

Interactive Brokers (U.K.) Limited

Business performance

For the 18th consecutive year, the Company has returned a profit. Pre-tax profit decreased to £15,376 thousand for the year ended 31 December 2020 from £17,978 thousand for the previous year. This resulted from a £3,605 thousand decrease in net finance income.

As at 31 December 2020, the Company was the carrying broker for 53,895 clients (2019: 44,216).

Principal risks and uncertainties

Operational risk

Management takes appropriate steps to minimise the impact of operational risks faced by the Company by maintaining a comprehensive system of internal controls.

Market risk

Market risk is inherent to the investment in financial instruments. The scope of the Company's market risk management procedures includes all market risk sensitive financial instruments. The Company's exposure to market risk is directly related to its role as a financial intermediary in client trading transactions.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is mitigated through the rigorous assessment of all new counterparties, clients and real-time margining.

Liquidity and interest rate risk

The Company has established liquidity procedures for measuring funding requirements and identifying potential liquidity mismatches. The Company maintains a highly liquid balance sheet. The majority of the Company's assets consist of cash and collateralised receivables, primarily being receivables from clearing houses for the settlement of securities and derivatives transactions.

Other risks

In March 2020, the World Health Organization recognized the outbreak of the Coronavirus Disease 2019 ("COVID-19") caused by a novel strain of the coronavirus as a pandemic. The response of governments and societies to the COVID-19 pandemic, which includes temporary closures of certain businesses; social distancing; travel restrictions, "shelter in place" and other governmental regulations; and reduced consumer spending due to job losses, has significantly impacted volatility in the financial, commodities and energy markets, and general economic conditions.

The effects of the COVID-19 pandemic on the Company's financial results for 2020 can be summarized as follows: (1) higher commission revenue due to increased trading activity and a higher rate of customer accounts opened during this period; and (2) lower net interest income resulting from lower benchmark interest rates.

The impact of the COVID-19 pandemic on the Company's future financial results could be significant but currently cannot be quantified, as it will depend on numerous evolving factors that currently cannot be accurately predicted, including, but not limited to, the duration and spread of the pandemic; its impact on the Company's customers, employees and vendors; governmental actions in response to the pandemic; and the overall impact of the pandemic in the economy and society; among other factors. The Company is expected to continue as a Going Concern.

As disclosed in the 2019 annual report, the UK's departure from the European Union ('Brexit') remains a potential risk. Management have continued to focus on the possible implications of Brexit, reviewing potential consequences on the services that the Company is able to provide. Management are of the opinion that the Company is prepared to take all necessary and appropriate measures to address that emerge for our employees, clients and the business as a whole in withstanding the market-wide stresses that may be triggered by Brexit.

Interactive Brokers (U.K.) Limited

Key performance indicators

The number of carried client accounts increased 21.9% to 53,895 for the year ended 31 December 2020 from 44,216 for the previous year.

Net commissions increased to £42,348 thousand for the year ended 31 December 2020 from £35,054 thousand for the previous year.

The Directors of IBG LLC manage the Group's operations on a geographical basis. The Company's directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The key performance indicators of IBG LLC, which includes the Company, are discussed in the Group's Annual Report, which does not form part of this report.

Capital

Accounting capital is defined as the total of the capital contribution classified as equity and other reserves. Total capital at 31 December 2020 was £134.9 million (2019: £121.0 million).

Capital adequacy is monitored daily and the use of regulatory capital is monitored on a monthly basis. See note 22 for further details. Disclosures required under Pillar 3 can be found on the Interactive Brokers Group, Inc. ("IBG, Inc." or the "ultimate parent company") website.

Regulatory capital requirements have been met throughout the financial year ended 31 December 2020.

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



Gerald Perez
Director
26 April 2021

Interactive Brokers (U.K.) Limited

Directors' report

The directors present their annual report, together with the Company's financial statements and auditor's report for the year ended 31 December 2020.

Results and dividends

The directors report a profit after taxation of £13,876 thousand for the year ended 31 December 2020 (2019: £14,861 thousand). No dividends are proposed (2019: £nil).

Future prospects

Details of future prospects can be found in the Strategic Report on page 2.

Principal risks and uncertainties

Details of principal risks and uncertainties can be found in the Strategic Report on page 3.

Financial risk management objectives and policies

Details of financial risks can be found in the Strategic Report on page 3.

Engagement with suppliers, customers and others

Details of the Company's Section 172 statement can be found in the Strategic Report on page 2.

Directors

Thomas Peterffy, Gerald Perez, Jonathan Chait, Earl Nemser, Paul Brody and William Sirett have been directors of the Company during the year and subsequent to the year end to the date of signing the annual report.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for all directors and officers.

Political contributions

No charitable or political donations were made by the Company for the year ended 31 December 2020 (2019: £nil).

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) There is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- (2) The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (2) of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Interactive Brokers (U.K.) Limited

Subsequent events

The Company has evaluated the period after the balance sheet date up through 23 April 2021, which is the date that the financial statements were issued, and determined that there were no subsequent events or transactions that required disclosure in the financial statements other than as referenced below:

In February 2021, a mass migration of carried clients was undertaken out of the Company and into other entities within the group. The number of clients has fallen to approximately 30,000, constituting a drop of 44% since the year end. Although the Company is increasingly acting as broker to affiliates, it is not yet readily determinable the impact that the migration could have on long term commission revenues, and associated expenses.

Going concern

The Company is part of IBG LLC ("the Group"). Whilst the Company is not reliant on funding from the Group to provide sufficient capital resources and liquidity to meet its obligations as they fall due, it is currently reliant on the Group for operational support. After making inquiries about the continued availability of the Group operational support and considering the level of liquid capital within the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Interactive Brokers (U.K.) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 of the profit or loss of the Company for that year.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



Gerald Perez
Director
26 April 2021

Interactive Brokers (U.K.) Limited

Independent auditor's report to the members of Interactive Brokers (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Interactive Brokers (U.K.) Limited (the 'Company'):

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

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

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- financial facilities including nature of facilities, repayment terms and covenants;
- linkage to business model and medium-term risks; and
- assumptions used in the forecasts.

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Interactive Brokers (U.K.) Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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

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

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

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.

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.



Adam Cichocki FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
26 April 2021

Interactive Brokers (U.K.) Limited

Profit and loss account For the year ended 31 December 2020

	Notes	2020 £ (in thousands)	2019 £ (in thousands)
Turnover	3	42,348	35,054
Administrative expenses		(42,368)	(33,819)
Other operating income		5,151	2,893
Operating profit	4	5,131	4,128
Finance income	7	24,789	36,751
Finance costs	8	(14,544)	(22,901)
Profit before taxation		15,376	17,978
Taxation	9	(1,500)	(3,117)
Profit after taxation and profit for the financial year		13,876	14,861
Other Comprehensive Income:			
Items that can be reclassified to profit or loss		-	-
Total comprehensive income for the year		13,876	14,861

All activities are derived from continuing operations.

The notes on pages 14 to 34 form an integral part of the financial statements.

Interactive Brokers (U.K.) Limited

Balance sheet As at 31 December 2020

	Notes	2020	2019
		£ (in thousands)	£ (in thousands)
NON-CURRENT ASSETS			
Tangible assets	10	314	153
Investments	11	122	122
Right-of-use assets	12	1,408	1,872
Deferred taxation	13	515	348
		<u>2,359</u>	<u>2,495</u>
CURRENT ASSETS			
Debtors	15	319,003	187,017
Current tax assets		2,395	-
Cash and cash equivalents	14	60,251	45,451
		<u>381,649</u>	<u>232,468</u>
CURRENT LIABILITIES			
Trade and other payables	16	(247,633)	(110,715)
Current tax liabilities		-	(1,205)
Lease liabilities	17	(744)	(676)
		<u>133,272</u>	<u>119,872</u>
NET CURRENT ASSETS			
		<u>135,631</u>	<u>122,367</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>135,631</u>	<u>122,367</u>
NON-CURRENT LIABILITIES			
Lease liabilities	17	(760)	(1,396)
		<u>134,871</u>	<u>120,971</u>
NET ASSETS			
		<u>134,871</u>	<u>120,971</u>
CAPITAL AND RESERVES			
Called up share capital	18	79	79
Capital contribution		14,221	14,221
Profit and loss account		120,343	106,467
Other reserves		228	204
		<u>134,871</u>	<u>120,971</u>
EQUITY SHAREHOLDER'S FUNDS			
		<u>134,871</u>	<u>120,971</u>

The notes on pages 14 to 34 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2021. They were signed on behalf of the Board of Directors by



Gerald Perez
Director

Company Registration No. 03958476

Interactive Brokers (U.K.) Limited

Statement of changes in equity For the year ended 31 December 2020

	Share Capital	Capital Contribution	Profit and Loss Account*	Other Reserves**	Total
£ (in thousands)	£	£	£	£	£
Balance at 1 January 2019	79	14,221	91,606	286	106,192
Profit for the year	-	-	14,861	-	14,861
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	14,861	-	14,861
Deferred tax on share-based payment transactions	-	-	-	(82)	(82)
Balance at 31 December 2019	79	14,221	106,467	204	120,971
Profit for the year	-	-	13,876	-	13,876
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	13,876	-	13,876
Deferred tax on share-based payment transactions	-	-	-	24	24
Balance at 31 December 2020	79	14,221	120,343	228	134,871

*Profit and loss account represents accumulated retained earnings.

**Other reserves represent the excess of estimated future tax deductions over cumulative remuneration expense in respect of share based payment transactions.

The notes on pages 14 to 34 form an integral part of the financial statements.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

1. Accounting policies

Company information

Interactive Brokers (U.K.) Limited offers execution and clearing broking services in equity and derivative products to private and institutional clients. The Company is a private company limited by shares, incorporated in England with registered number 03958476.

The registered office address can be found on page 1.

Basis of accounting

These financial statements are prepared under the historical cost convention as modified by the financial instruments recognised at fair value and in accordance with applicable law and United Kingdom Accounting Standards.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ("FRC"). Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 (the "Act") as applicable to companies using FRS 101.

FRS 101 sets out a reduced disclosure framework for a qualifying entity as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRSs").

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, details of key assumptions used for the purposes of impairment testing and related party transactions.

These financial statements have been prepared on a going concern basis as set out on the Directors' Report on page 6.

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

Tangible assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Right-of-use Assets	Period of the lease
Leasehold Improvements	Lesser of useful life and period of the lease
Fixtures and Fittings	7 years
Office Equipment	5 years
Computer Equipment	3 years

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at Fair Value Through Profit or Loss ("FVTPL"), unless certain conditions are met which permit measurement at Fair Value Through Other Comprehensive Income ("FVTOCI"), or amortised cost.

FVTPL – financial assets that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in the profit and loss account and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in the profit and loss account as they arise. The net gain or loss recognised in profit or loss incorporates the interest earned on the financial asset. Fair value is determined in the manner described in note 18.

FVTOCI – gains and losses on FVTOCI assets arising from changes in fair value are recognised directly in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to profit and loss accounts for the year.

Amortised cost – non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Amortised cost assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses. Interest is recognised by applying the effective interest rate, except for short-term receivables when recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL and FVTOCI but including trade debtors, are assessed for indicators of impairment at each balance sheet date based on a forward-looking expected loss model, regardless of whether a loss event has occurred.

Debt and equity

Debt and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or amortised cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. Such liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to its initial carrying value.

Share-based payments

The Company operates equity-settled share-based payments schemes to certain employees whereby the employees are awarded restricted stock units of the Company's ultimate parent company. Under FRS 101: Share-based Payments, the equity-settled share-based payments are measured at fair value at the date of the grant. Grants, which are denominated in U.S. dollars, are communicated to employees in the year of grant, thereby establishing the fair value of each grant. The fair value of awards granted to employees are generally expensed as follows: 50% in the year of grant in recognition of plan's post-employment provisions (described below) and the remaining 50% over the related vesting period utilizing a "graded vesting" method. In the case of "retirement eligible" employees (those employees older than 59), 100% of awards are expensed when granted.

Awards granted under the stock-based compensation plans are subject to the plan's post-employment provisions in the event an employee ceases employment with the Company. The plans provide that employees who discontinue employment with the Company without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the employee is over the age of 59, in which case the employee would be eligible to receive 100% of previously granted but not yet earned awards.

Turnover

Turnover is measured at the fair value of the consideration received or receivable when the service is provided in the normal course of business, net of discounts, VAT and other sales-related taxes. The Company's turnover comprises commission derived from agency trades from electronic broking and is recognised on trade date.

Finance income and costs

Interest income on financial assets and interest expense on financial liabilities are determined using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the initial carrying amount.

Foreign currencies

The Company's financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are revalued to the Company's functional currency at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are revalued at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

Taxation

Current taxation is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term market deposits held by the Company.

The Company holds money on behalf of clients in accordance with the client money rules of the FCA. Segregated client money accounts hold statutory trust status. These client funds and corresponding liabilities are held off balance sheet.

Group accounts

The Company is exempt from the obligation to prepare and deliver group accounts under s400 of the Companies Act 2006. The Company is a wholly owned subsidiary of IBG LLC.

Leases – the Company acting as a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Such assets are depreciated over the shorter of lease term and useful life of the underlying asset.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

2. Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. No key judgements, estimates or assumptions have been identified.

3. Turnover

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

	2020	2019
	£ (in thousands)	£ (in thousands)
Continuing operations		
Commissions	42,348	35,054
	<u>42,348</u>	<u>35,054</u>
	2020	2019
	£ (in thousands)	£ (in thousands)
Revenue by geographical location		
United Kingdom	42,348	35,054
	<u>42,348</u>	<u>35,054</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

4. Operating profit

	2020	2019
	£ (in thousands)	£ (in thousands)
Operating profit is stated after charging:		
Depreciation	77	44
Foreign exchange loss	131	277
	<u>208</u>	<u>321</u>
Services provided by the Company's auditor:		
Fees in respect of the audit of the Company		
Audit of the Company's annual accounts	52	50
Group audit fees allocated to the Company	24	24
	<u>76</u>	<u>74</u>
Other fees		
Audit related assurance services	80	69
Other services relating to taxation	15	23
Other services relating to regulatory advice	20	20
	<u>115</u>	<u>112</u>

5. Employee information including directors

	2020	2019
	£ (in thousands)	£ (in thousands)
Employee costs (including directors' emoluments)		
Wages and salary	7,749	6,310
Social security costs	1,033	698
Pension contribution	237	201
	<u>9,019</u>	<u>7,209</u>
Average number of persons (including directors) employed	No.	No.
Administration	7	6
Compliance	23	19
Customer service	50	34
Programming	5	4
Sales	3	3
	<u>88</u>	<u>66</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

6. Directors' emoluments

	2020	2019
	£ (in thousands)	£ (in thousands)
Emoluments	494	486
Stock incentive compensation	146	253
	<u>640</u>	<u>739</u>
Remuneration of the highest paid director		
Emoluments	281	235
Stock incentive compensation	89	149
	<u>370</u>	<u>384</u>

Employer pensions contributions paid by the Company for serving directors are included within emoluments. As at 31 December 2020, retirement benefits are accruing for two directors (2019: two) under defined contribution schemes.

7. Finance income

	2020	2019
	£ (in thousands)	£ (in thousands)
Bank interest receivable and similar income	5,081	12,941
Interest receivable from clients	13,288	19,490
Interest receivable on intercompany balances	6,420	4,320
	<u>24,789</u>	<u>36,751</u>

Interest receivable from clients includes £5,287 thousand (2019: £6,088 thousand) from cash margin positions and £8,001 thousand (2019: £12,451 thousand) from positions valued at FVTPL.

Interest receivable from intercompany balances includes £5,963 thousand (2019: £3,442 thousand) from cash margin positions and £457 thousand (2019: £641 thousand) from positions valued at FVTPL.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

8. Finance costs

	2020	2019
	£ (in thousands)	£ (in thousands)
Bank interest payable and similar expense	3,133	3,111
Interest payable to clients	3,242	10,650
Interest payable on intercompany balances	8,124	9,089
Interest payable on lease liabilities	45	51
	<u>14,544</u>	<u>22,901</u>

Interest payable to clients includes £2,846 thousand (2019: £9,866 thousand) from cash margin positions and £396 thousand (2019: £784 thousand) from positions valued at FVTPL.

Interest payable on intercompany balances includes £6,041 thousand (2019: £3,842 thousand) from cash margin positions and £2,083 thousand (2019: £4,654 thousand) from positions valued at FVTPL.

9. Taxation

	2020	2019
	£ (in thousands)	£ (in thousands)
Analysis of tax charge		
Current Tax		
U.K. Corporation tax at 19% (2019: 19%)	2,431	3,316
Prior year adjustment	(18)	(241)
	<u>2,413</u>	<u>3,075</u>
Deferred Tax		
Current year	(80)	23
Prior year adjustment	(833)	19
	<u>1,500</u>	<u>3,117</u>
Total tax charge for the year		

	2020	2019
	£ (in thousands)	£ (in thousands)
Factors affecting total tax charge		
Profit before taxation	<u>15,376</u>	<u>17,978</u>
Tax at 19% (2019: 19%) thereon:	2,921	3,416
Utilisation of tax losses under group relief	(622)	-
Expenses not deductible for tax purposes	1	1
Change in prior year adjustments	(851)	(222)
Effect of tax rate differences between current and deferred tax	-	3
Share based payments reconciling items	51	(81)
	<u>1,500</u>	<u>3,117</u>
Total tax expense for the year		

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

10. Tangible assets

	Leasehold Improvements	Fixtures and Fittings	Office Equipment	Computer Equipment	Total
Cost £ (in thousands)					
As at 1 January 2019	13	26	7	131	177
Additions	-	53	1	42	96
Retired assets	-	-	-	(61)	(61)
As at 1 January 2020	13	79	8	112	212
Additions	-	12	-	226	238
Retired assets	(1)	-	-	(7)	(8)
As at 31 December 2020	12	91	8	331	442
Depreciation £ (in thousands)					
As at 1 January 2019	(3)	(11)	(4)	(58)	(76)
Charge for the year	(3)	(5)	(2)	(34)	(44)
Retired assets	-	-	-	61	61
As at 1 January 2020	(6)	(16)	(6)	(31)	(59)
Charge for the year	(2)	(11)	(1)	(63)	(77)
Retired assets	1	-	-	7	8
As at 31 December 2020	(7)	(27)	(7)	(87)	(128)
Net book value £ (in thousands)					
As at 31 December 2020	5	64	1	244	314
As at 31 December 2019	7	63	2	81	153
As at 31 December 2018	10	15	3	73	101

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

11. Investments

FVTOCI - financial assets

	2020	2019
	£ (in thousands)	£ (in thousands)
As at 1 January	122	122
Disposal	-	-
Currency revaluation	-	-
As at 31 December	122	122

Subsidiary undertakings

The Company owns 100% of the share capital, comprising one ordinary share of £1 in Interactive Brokers (U.K.) Nominee Limited (the "Subsidiary Undertaking"), a company incorporated in England. The principal activity of the Subsidiary Undertaking remains that of a nominee company.

The registered address of the Subsidiary Undertaking is the same as the Company.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

12. Right-of-use assets

	Office building
Cost £ (in thousands)	
As at 1 January 2020	2,448
Adjustments	150
As at 31 December 2020	<u>2,598</u>
Depreciation £ (in thousands)	
As at 1 January 2020	(576)
Charge for the year	(614)
As at 31 December 2020	<u>(1,190)</u>
Net book value £ (in thousands)	
As at 31 December 2020	<u>1,408</u>
As at 31 December 2019	<u>1,872</u>

The Company's only lease is the office building to which it is registered. The lease term remaining is 27 months (2019: 39 months). Payments are made every quarter on a fixed basis. A maturity analysis of lease liabilities is presented in note 17.

Amounts recognised in profit and loss in respect of finance leases

	2020	2019
	£ (in thousands)	£ (in thousands)
Depreciation expense on right-of-use assets	614	576
Interest expense on lease liabilities	<u>44</u>	<u>51</u>

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

13. Deferred taxation

The deferred tax asset arose on the timing difference between the granting of share based payments and the future tax deduction of shares. The Company is expected to remain profitable.

	2020	2019
	£ (in thousands)	£ (in thousands)
As at 1 January	348	379
Deferred tax movement	167	(31)
As at 31 December	515	348
Analysis of deferred taxation balance		
Short term timing differences	515	348
Deferred tax assets recognised	515	348

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end (2019: 19%).

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 December 2020 continue to be measured at 19%.

14. Cash and cash equivalents

Cash and cash equivalents comprises cash at banks. The carrying amount of these assets is approximately equal to their fair value.

At the balance sheet date there were deposits for clients, not included in the balance sheet, which were held in segregated client bank accounts amounting to £1,152.1 million (2019: £992.9 million).

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

15. Debtors

	2020	2019
	£ (in thousands)	£ (in thousands)
Trade debtors	179,870	112,992
Amounts owed from group undertakings	138,816	73,648
Other debtors	2	85
Prepayments and accrued income	315	292
	<u>319,003</u>	<u>187,017</u>

Trade debtors primarily comprise margin held with external counterparties.

At the balance sheet date, the gross amount of trade debtors before offsetting with trade creditors, that is specifically related to margin lending to clients, was £420,660 thousand (2019: £190,298 thousand). On a net basis, the amount remaining in trade debtors, gross of impairment, is £274 thousand (2019: £1,590 thousand). None of the remaining debtors are past due or impaired (2019: none).

Amounts owed from group undertakings, unsecured, interest free and repayable on demand.

16. Creditors

	2020	2019
	£ (in thousands)	£ (in thousands)
Trade creditors	213,065	103,868
Amounts owed to group undertakings	31,632	4,559
Accruals and deferred income	2,512	2,066
Other tax and social security	363	204
Deferred tax liability	61	18
	<u>247,633</u>	<u>110,715</u>

Contained within trade creditors are balances offset with trade debtors. See note 15 for further information.

Amounts owed to group undertakings, unsecured, interest free and repayable on demand.

Collateral	2020		2019	
	Permitted to repledge	Sold or repledged	Permitted to repledge	Sold or repledged
	£ (in thousands)	£ (in thousands)	£ (in thousands)	£ (in thousands)
Client margin asset	<u>316,910</u>	<u>316,910</u>	<u>96,514</u>	<u>96,514</u>

In the normal course of business, the Company engages in financing transactions with and for clients through margin financing. Amounts relating to collateralised transactions at 31 December 2020 and 31 December 2019 are summarised per above.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

17. Lease liabilities

	2020	2019
	£ (in thousands)	£ (in thousands)
Analysed as:		
Non-current	760	1,396
Current	744	676
	<u>1,504</u>	<u>2,072</u>

	2020	2019
	£ (in thousands)	£ (in thousands)
Maturity analysis		
Year 1	744	676
Year 2	760	691
Year 3	-	705
	<u>1,504</u>	<u>2,072</u>

Lease commitments

	2020	2019
	£ (in thousands)	£ (in thousands)
Lease payments under finance leases in the year	<u>768</u>	<u>713</u>
	2020	2019
	£ (in thousands)	£ (in thousands)
Within one year	768	713
In the second to fifth years inclusive	768	1,605
After five years	-	0
	<u>1,536</u>	<u>2,318</u>

As at 31 December 2020, the present value of the future minimum lease payments was £1,442k (31 December 2019: £2,204k).

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

18. Called up share capital

	2020	2019
	No.	No.
Authorised		
A ordinary shares of £1 each	700	700
B ordinary shares of €1 each	125,000	125,000
	<hr/>	<hr/>
Allotted, called up and fully paid	£	£
700 A ordinary shares of £1 each	700	700
125,000 B ordinary shares of €1 each	78,632	78,632
	<hr/>	<hr/>
As at 31 December	79,332	79,332
	<hr/>	<hr/>

Class A and B shares rank pari passu and have one vote per share, no preferential dividend rights, no redemption rights and an unlimited right to share in any surplus remaining on the winding up of the Company.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

19. Financial instruments and risk management

Overall

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

At the Group level, various management committees have been established that have responsibilities for monitoring and oversight of its activities and risk exposures of the companies within the Group.

Market risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in market prices. Market risk can be exacerbated in times of illiquidity where market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Market risk is inherent to the investment in financial instruments. The scope of the Company's market risk management procedures includes all market risk sensitive financial instruments.

The Company's exposure to market risk is directly related to its role as a financial intermediary in client trading transactions. The Company's market risk policy incorporates the hedging of all trades from its clients. Exposure to market price fluctuations is generally limited to residual currency balances different to the Company's functional currency, derived from operational activities. Such exposures are monitored on a regular basis.

The directors consider that the Company has no significant exposure to market risk.

Credit risk

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

- Regular review of the risk management process by the executive management as part of their oversight role;
- Defined risk management policies and procedures supported by a rigorous analytic framework; and
- Articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Company's risk-taking is consistent with its business strategy, capital structure and current and anticipated market conditions.

The Company is exposed to risk of loss if a counterparty or issuer fails to perform its obligations under contractual terms ("default risk"). The Company has established policies and procedures for reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated on a regular basis. Maximum exposure limits for the Group are established for each counterparty.

The Company manages the credit exposure to each of its market counterparties typically by keeping the minimum required balances at each counterparty.

Credit risk (continued)

In the normal course of business, the Company executes, settles and finances various client securities transactions. Execution of these transactions includes the purchase and sale of securities that exposes the Company to default risk arising from the potential that clients or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavourable market prices to satisfy obligations to other clients or counterparties. The Company seeks to control the risks associated with its client margin activities by requiring clients to maintain collateral in compliance with regulatory and internal guidelines.

The Company operates a real-time mark-to-market trading platform whereby clients' profits and losses are credited and debited automatically to their account. Client credit risk can arise where there are significant, sudden movements in the underlying market for the product they are trading. Credit loss mitigation is achieved by ensuring clients collateralise their accounts at an appropriate level and by the utilisation of an automated close out facility which liquidates clients' risk positions appropriately if liquidation thresholds are broken.

Margin loans are extended to clients on a demand basis and are not committed facilities. Factors considered in the acceptance or rejection of margin loans are the amount of the loan, the degree of leverage being employed in the client account and an overall evaluation of a client's portfolio to ensure proper diversification or, in the case of concentrated positions, appropriateness of the underlying collateral. Additionally, transactions relating to concentrated or restricted positions are limited or prohibited by raising the level of required margin collateral (to 100% in the extreme case). Underlying collateral for margin loans is evaluated with respect to the liquidity of the collateral positions, valuation of securities, volatility analysis and an evaluation of industry concentrations. Adherence to the Company's collateral policies significantly limits the Company's credit exposure to margin loans in the event of a client's default. Under margin lending agreements, the Company may request additional margin collateral from clients and may sell assets that have not been paid for or purchase assets sold but not delivered from clients, if necessary.

The total gross amount of individually impaired assets in relation to trade debtors as at 31 December 2020 was £29 thousand (2019: £1,563 thousand). The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Concentrations of credit risk

The Company's exposure to credit risk associated with its brokerage and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. As at 31 December 2020 and 2019, the Company did not have any material concentrations of credit risk.

Liquidity and interest rate risk

Liquidity risk is the risk that an entity may encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Company has established procedures for measuring funding requirements and identifying potential liquidity mismatches.

The Company maintains a highly liquid balance sheet. The majority of the Company's assets consist of margin deposits with clearing houses. The Company's exposure to interest rate risk is considered by the directors to be immaterial.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

Liquidity and interest rate risk (continued)

The following table details the Company's expected maturity for its non-derivative financial assets and remaining contractual maturity for its non-derivative financial liabilities. The tables below are based on the undiscounted contractual maturities of the financial assets and financial liabilities.

2020	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
	£	£	£	£	£
Financial Assets £ (in thousands)					
Non interest bearing	6,529	-	-	122	6,651
Variable interest rate instruments	314,554	-	-	-	314,554
Financial Liabilities £ (in thousands)					
Non interest bearing	327,633	-	-	-	327,633
Variable interest rate instruments	(80,000)	-	-	-	(80,000)
2019					
	Up to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
	£	£	£	£	£
Financial Assets £ (in thousands)					
Non interest bearing	(15,997)	-	-	122	(15,875)
Variable interest rate instruments	202,723	-	-	-	202,723
Financial Liabilities £ (in thousands)					
Non interest bearing	93,890	-	-	-	93,890
Variable interest rate instruments	18,030	-	-	-	18,030

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

Fair value of financial instruments

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

Included within trade debtors and creditors are payables and receivables to clients and counterparties which relate to funds placed as margin to support trading in contracts for differences ("CFDs"). The notional value of the underlying CFD positions with clients, which the Company has fully hedged with its other clients or with its counterparties, as at 31 December 2020, was £617.6 million (2019: £534.0 million).

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the accounts.

	2020	2019
	£ (in thousands)	£ (in thousands)
Financial assets		
Derivative financial instruments with counterparties at FVTPL	(29,292)	(6,914)
Cash	60,251	45,451
Investment held at FVTOCI	122	122
Amortised cost	347,980	193,640
Financial liabilities		
Derivative financial instruments with counterparties at FVTPL	14,382	-
Amortised cost	278,005	119,683
Derivative financial instruments with client at FVTPL	(43,674)	(6,914)

Included within financial liabilities are £208.1 million (2019: £102.2 million) due to clients. This comprises £256.4 million (2019: £109.1 million) measured at amortised cost less £43.9 million (2019: £6.9 million) measured at fair value in relation to the Company's CFD product offering. As matched principal, such positions are fully hedged with external counterparties. All such derivative financial instruments are considered to be Level 2 of the fair value hierarchy. The Company's Level 2 financial instruments are valued by taking the difference between the quoted price of the underlying security and the contract price.

20. Contingent liabilities

At 31 December 2020, the Company had no contingent liabilities (2019: £nil).

21. Controlling party

The Company's immediate parent company is IB Exchange Corp, a company incorporated in the United States.

In the opinion of the directors, the Company's ultimate controlling party is IBG LLC, a company organised in the United States of America. IBG LLC heads the largest and smallest group of companies of which the Company is a member.

Copies of the financial statements of IBG LLC are available at 1 Pickwick Plaza, Greenwich, CT, 06830, USA, being the company's registered office address.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

22. Capital risk management

Regulatory capital is determined in accordance with minimum capital requirements of the Financial Conduct Authority in the United Kingdom.

The Company's objectives when managing capital are to:

- comply with the capital requirements set by the regulators;
- safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its other stakeholders; and
- maintain a strong capital base to support the future strategy and development of the business.

Capital adequacy and the use of regulatory capital are monitored by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the EU directives, as implemented by the Financial Conduct Authority in the United Kingdom for supervisory purposes. Disclosures required under Pillar 3 can be found on Interactive Brokers Group, Inc.'s website.

23. Subsequent events

The Company has evaluated the period after the balance sheet date up through 23 April 2021, which is the date that the financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

Interactive Brokers (U.K.) Limited

Notes to the accounts

For the year ended 31 December 2020

24. Country-by-Country Reporting

The Company is required to comply with the provisions of Statutory Instrument 2013 No.3118 Capital Requirements (Country-by-Country Reporting, "CBCR") Regulations 2013, which implements in the United Kingdom the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU).

In order to comply with this requirement, the Company is publishing the following information:

- The Company offers execution and clearing broking services in equity and derivative products to private and institutional clients. It also operates as a client carrying broker dealer, offering unallocated spot gold and silver, contracts for differences, safe custody stock, index futures and options to its carried clients and affiliates. The Company is incorporated in the United Kingdom and is based in London. The Company does not have branches but has one subsidiary, Interactive Brokers (U.K.) Nominee Limited.
- Total turnover for 2020 was £42,348 thousand, all derived from the United Kingdom.
- During 2020, the average number of direct employees on a full-time equivalent basis was 88, all of whom are based in the United Kingdom. Technology infrastructure and certain support functions are provided by the Group affiliates.
- Profit before tax for 2020 was £13,876 thousand, all derived from the United Kingdom.
- Corporation tax paid was £5,200k in 2020.
- The Company did not receive public subsidies in 2020.