Company Registration No. 03699618 (England and Wales)

INTERACTIVE INVESTOR TRADING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(AMENDED)

INTERACTIVE INVESTOR TRADING LIMITED

COMPANY INFORMATION

Directors	N Brigstocke (resigned 30 September 2015) D Boyce (resigned 31 December 2014) A Seale B Bicknell
Company number	03699618
Registered office	Standon House 21 Mansell Street London E1 8AA
Auditors	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB

INTERACTIVE INVESTOR TRADING LIMITED

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INTERACTIVE INVESTOR TRADING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Principal activities and review of the business
The business of the Company concerns the online broker and investing portal; the mobile app focussed brand Shareprice for share dealing and shares information and white label execution only services.
The company is regulated by the Financial Conduct Authority.

Review of the business and future developments
We are pleased to report revenue up 9% to £12.6m despite muted trading conditions. A fall of 0.8% in the FTSE All-share index (compared to a 9.4% increase the previous year), lack of retail IPO activity, regulatory change in the treatment of client money combined with both a general election and Scottish Independence referendum, all contributed to increased market uncertainty resulting in lower revenue growth than anticipated.

In order to accelerate organic growth, we continued our policy of increased investment in marketing and product development. This has resulted in an EBITDA of £2.5m, compared to the same result, £2.5m in the previous year.

The Company increased its market share across all key metrics. According to Compeer, Interactive's trade volume increased 15% year on year compared to a 2% increase for the market as a whole. Assets under administration increased 52% compared to 10% for the market and while the muted trading conditions resulted in a 21% decrease in client acquisition, the market generally recorded a 40% decrease.

During the year we, following on from Trustnet Direct, secured and launched a second white label share dealing service for Telegraph Investor. This was followed by the launch of a white label share dealing service for The Motley Fool combined with the acquisition and migration of the The Motley Fool's share dealing client book onto our platform. Our white label services now provide a meaningful proportion of our revenue and new clients, and we are working with our partners to further accelerate revenue growth.

Monitoring and managing risk
The Directors of Interactive Investor Trading Limited 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
Trade volumes are susceptible to a 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 company 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 analysi to determine funding requirements.

INTERACTIVE INVESTOR TRADING LIMITED

STRATEGIC REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

Key Performance Indicators
The Directors use the following measures to judge performance:

- Earnings Before Interest Tax, Depreciation and Amortisation
- Assets under Management
- Unique visitors to the Group's websites
- Number of funded trading accounts

This report was approved by the board on 21 October 2015 and signed on it's behalf:

B Bicknell
Director

INTERACTIVE INVESTOR TRADING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The Directors present their report and financial statements for the year ended 30 June 2015.

Results and dividends
The results for the year are set out on page 5.

No interim intercompany dividend of has been paid during the year (2014: £2,016,000). The Directors do not recommend payment of a final dividend.

Directors
The following directors have held office since 1 July 2014:

N Brigstocke (resigned 30 September 2015)
D Boyce (resigned 31 December 2014)
A Seale
B Bicknell

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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 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.

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

Auditor
Baker Tilly UK Audit LLP has indicated its willingness to continue in office

On behalf of the board

B Bicknell
Director
21 October 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERACTIVE INVESTOR TRADING LIMITED

We have audited the financial statements on pages 5 to 11. 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 3, 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/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

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

21 Oct 2015

INTERACTIVE INVESTOR TRADING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £	2014 £
Turnover	2	12,580,987	11,496,232
Cost of sales		(1,635,763)	(1,457,549)
Gross profit		10,945,224	10,038,683
Administrative expenses		(8,437,518)	(7,492,615)
Operating profit		2,507,706	2,546,068
Interest receivable	3	-	9,028
Profit on ordinary activities before taxation	3	2,507,706	2,555,096
Tax on profit on ordinary activities	4	-	-
Profit for the year	11	2,507,706	2,555,096

The turnover and operating profit for the year arise from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such Gains and Losses have been dealt with in the profit and loss account

INTERACTIVE INVESTOR TRADING LIMITED

BALANCE SHEET

AS AT 30 JUNE 2015

	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Intangible assets	6		1,464,567		-
Tangible assets	7		28,292		80,410
			1,492,859		80,410
Current assets					
Debtors: amounts falling due within one year	8	6,363,673		5,161,242	
Cash at bank and in hand		2,267,651		2,229,956	
		8,631,324		7,391,198	
Creditors: amounts falling due within one year	9	(361,170)		(235,103)	
Net current assets			8,270,154		7,156,095
Total assets less current liabilities			9,763,013		7,236,505
Capital and reserves					
Called up share capital	10		2,880,000		2,880,000
Profit and loss account	11		6,792,211		4,284,505
Other Reserves	12		90,802		72,000
Shareholders' funds	12		9,763,013		7,236,505

The financial statements on pages 5 to 11 were approved by the Board and authorised for issue on 21 October 2015 and signed on it's behalf by:

B Bicknell

Director

Company Registration No. 03699618

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the Group.

1.2 Going concern

The Company is a wholly owned subsidiary of Interactive Investor Plc.

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 Turnover

Turnover represents the amounts (excluding value added tax) derived from trading transactions without deduction for related direct costs.

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.

1.5 Intangible fixed assets and amortisation

Development costs are written off in equal instalments over its estimated useful economic life of 3 years. All intangible assets are assessed for impairment. The acquisition of Motley Fool clients will be amortised over 7 years.

1.6 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:

Computer equipment	33.33% straight line
Office equipment	25.00% straight line

1 Accounting policies **(continued)**

1.6 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.

2 Turnover

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

3 Profit on ordinary activities before tax

	2015	2014
	£	£
Profit on ordinary activities before tax is stated after charging:		
Interest receivable	-	9,028
Amortisation of intangible assets	7,356	-
Depreciation of tangible assets	51,101	89,853

In both years the auditor's remuneration was charged to the parent company. The total amount charged to the group was £85,000 (2014: £80,000) for audit services. In addition, £55,000 (2014: £91,000) was paid to an affiliate of the Company's auditor by the parent company in respect of taxation compliance services.

4 Taxation	**2015**	**2014**
	£	£
Total current tax	-	-
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	2,507,706	2,627,096
Profit on ordinary activities before taxation multiplied by the effective rate of UK corporation tax of 20.75% (2014- 22.5%)	520,349	591,097
Effects of:		
Non-deductible expenses	6,224	-
Depreciation add back	-	20,217
Capital allowances	-	(5,747)
Depreciation in excess of capital	7,409	-
Group tax losses received	(533,982)	(605,567)
	(520,349)	(591,097)
Current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

5 Dividends

	2015	2014
	£	£
Ordinary interim paid	-	2,016,000

6 Intangible fixed assets

	Development
	£
Cost	
At 1 July 2014	-
Additions	1,471,923
At 30 June 2015	1,471,923
Amortisation	
At 1 July 2014	-
Charge for the year	7,356
At 30 June 2015	7,356
Net book value	
At 30 June 2015	1,464,567
At 30 June 2014	-

7 Tangible fixed assets

	Computer equipment
	£
Cost	
At 1 July 2014	444,956
Disposals	(1,017)
At 30 June 2015	443,939
Depreciation	
At 1 July 2014	364,546
Charge for the year	51,101
At 30 June 2015	415,647
Net book value	
At 30 June 2015	28,292
At 30 June 2014	80,410

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

8	**Debtors**	**2015**	**2014**
		£	**£**
	Trade debtors	-	125,520
	Amounts owed by group undertakings	5,198,811	4,361,420
	Other Debtors	387,608	93,634
	Prepayments and accrued income	777,254	580,668
		6,363,673	5,161,242

9	**Creditors: amounts falling due within one year**	**2015**	**2014**
		£	**£**
	Trade creditors	57,040	12,291
	Taxes and social security costs	18,698	32,153
	Other creditors	-	23
	Accruals and deferred income	285,432	190,636
		361,170	235,103

10	**Share capital**	**2015**	**2014**
		£	**£**
	Allotted, called up and fully paid		
	2,880,000 Ordinary Shares of £1 each	2,880,000	2,880,000

11 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 July 2014	4,284,505
Profit for the year	2,507,706
Balance at 30 June 2015	6,792,211

12 Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Profit for the financial year	2,507,706	2,555,096
Other reserves share-based payment	18,802	72,000
Dividends	-	(2,016,000)
Net addition to shareholders' funds	2,526,508	611,096
Opening shareholders' funds	7,236,505	6,625,409
Closing shareholders' funds	9,763,013	7,236,505

13 Employees

The only employees of the company are the directors, of whom there were 3 in the year (2014: 4). Directors are remunerated by Capital Accumulation Services Limited, a fellow Group company. It is not practical to calculate the amount of remuneration that relates to services for this company.

14 Control

The immediate and ultimate parent company is Interactive Investor Plc (formerly Capital Accumulation Limited), a company registered in England and Wales.

Interactive Investor Plc prepares group financial statements and copies can be obtained from Standon House, 21 Mansell Street, London, E1 8AA.

No one individual is considered to have overall control of Interactive Investor Plc.

15 Related party relationships and transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the parent company.

INTERACTIVE INVESTOR TRADING LIMITED

PILLAR 3 DISCLOSURE

1. Introduction

As of January 1st 2014, the European Union, through the Capital Requirements Directive IV ('the Directive') established a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. Specific to Interactive Investor Trading Limited, in the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the Prudential Sourcebook for Investment Firms ('IFPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position

1.1 Disclosure Policy

In accordance with IFPRU, Interactive Investor has adopted a formal disclosure policy in that it will comply with the requirement to publicly disclose the relevant information.

The rules provide that one or more of the required disclosures may be omitted if it is believed that the information is immaterial. Materiality is based on the criteria that the omission or misstatement of material information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. If disclosure is considered to be immaterial, it will state this in the relevant section.

One or more of the required disclosures may be omitted where it is believed that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine a competitive position. Information is considered to be confidential where there are obligations binding Interactive Investor to confidentiality with customers and counterparties. If information is omitted for either of these two reasons it will state this in the relevant section and the reasons for this. Where appropriate, more general information on the subject matter of the required disclosure will be published.

1.2 Frequency of Publication

The disclosures will be reviewed on an annual basis at a minimum and, if appropriate, more frequently. Disclosures will be published as soon as is practicable following any revisions.

1.3 Verification

The disclosures have been put together to explain the basis of preparation and disclosure of certain capital requirements and provide information about the management of certain risks and for no other purposes. They do not constitute any form of audited financial statement and have been produced solely for the purposes of Pillar 3. They should not be relied upon in making judgements about Interactive Investor. The disclosures will only be subject to external verification to the extent that they are equivalent to those made under accounting requirements.

The disclosures are reviewed and approved by the Board of Interactive Investor PLC.

1.4 Media & Location of Publication

The disclosures will be available on request by writing to the Chief Financial Officer, 21 Mansell Street, London, E1 8AA.

2. Scope and application of the Directive requirements

Interactive Investor Trading Limited is a leading, retail online execution only broker. The parent company of the group is Interactive Investor PLC, an unregulated company incorporated in the United Kingdom. Interactive Investor PLC is 100% owner of Interactive Investor Trading Limited ('IITL'), a FCA regulated company incorporated in the United Kingdom. The disclosures are made on an individual and consolidated basis for IITL and its subsidiaries ('the Group'), which includes Capital Accumulation Services Ltd, a non FCA regulated entity.

- IITL is classified as an IFPRU 125k Limited Licence Firm (IFPRU 1.1.9R) because it does not deal for its own account or underwrite issues on a firm commitment basis, it manages individual portfolios and it holds client money. An IFPRU 125k firm must maintain at all times capital resources equal to or in excess of the base requirement (€125,000). The variable requirement for a IFPRU 125k Limited Licence Firm is the higher of the credit risk capital requirement and the market risk capital requirement, or the fixed overheads requirement (i.e. one quarter of the firm's relevant fixed expenditure). For IITL the variable requirement is the fixed overheads requirement. A IFPRU 125k firm must maintain at all times capital resources equal to or in excess of the variable requirement

3. Governance

The Board of Interactive Investor PLC is the governing body ultimately responsible for the risk management regime. The Board has authorised the Interactive Investor PLC Audit & Risk Committee (comprised of Non-Executive Directors) to investigate any activity as to the risks which are deemed appropriate to accept and those which are unacceptable and should be eliminated or mitigated; and report to the Board on any significant internal control failures that have occurred and on the quality of internal policies, disciplines, controls, processes and monitoring procedures in place to deal with risk, making recommendations for improvements where applicable.

The Board of IIPLC is the governing body responsible for the day-to-day risk management regime. The Board have delegated responsibility for IITL's risk management process to the Risk Committee ('the RC'). The RC is responsible for ensuring that all key business and reputational, regulatory and legal, operational, people, change and financial risks arising from the business of Interactive Investor have been identified and that the risk management framework remains appropriate.

4. Risk Management Framework

It is Interactive Investor's objective to structure a business environment in which threats to the organisation's ability to maximise stakeholder value and achieve strategic objectives are identified, measured, controlled to an acceptable level and reported. Interactive Investor has identified seven core principles that define risk behaviour and characterise Interactive Investor's risk management culture:

- Interactive Investor aims to recruit, keep and reward staff with a strong risk and control awareness
- Interactive Investor will put in place and maintain a framework which allows staff to manage their risks effectively
- Staff are accountable for managing their risks
- Consistent standards will be established and maintained for identifying, measuring, controlling and reporting risk
- All business areas will put in place and maintain comprehensive standard operating procedures which include processes to identify, measure, control and report risk
- Risk management activity will be prioritised towards the areas of greatest risk
- Key information on the management of risks will be reported to the Risk Governance Committee and the Board

Interactive Investor has developed a risk management cycle in order to identify and manage its risks. The cycle incorporates regulatory requirements and is designed to be appropriate to the simple nature and scale of Interactive Investor's business. The key steps in the risk management cycle are as follows:

- Articulation and agreement of risk appetite
- Risk identification and quantification
- Stress and scenario testing
- Management actions
- Documenting an ICAAP
- Reporting and approval

5. Capital Resources

The regulatory capital resources comprise the following:

	IIPLC (consolidated) 30/06/2015	IITL 30/06/2015
Tier one capital £'000		**£'000**
Share capital	143	2,880
Retained earnings and other reserves	6,542	6,883
	6,685	**9,763**
Deductions from tier one		
Intangible assets	1,390	1,465
	5,295	**8,298**
Tier two		
Tier one and two before deductions	**5,295**	**8,298**
Material holdings	1,392	-
Total Capital Resources	**3,903**	**8,298**

Share capital is the permanent, allotted, called up and fully paid ordinary share capital of the respective entities.

Retained earnings are the audited profit and loss reserves retained by the business. Other reserves include share premium and share options reserve in IIPLC.

6. Capital Resources Requirement

6.1 Pillar 1

In accordance with IFPRU 5.1.1R the Group's Pillar 1 capital requirement is determined as the higher of the fixed overheads requirement or the sum of credit risk and market risk capital requirements.

The current Pillar 1 capital requirement is the fixed overheads requirement of £2.0m and £1.4m for IIPLC and IITL respectively. This has been calculated based on 2014 expenditure.

6.2 Pillar 2

The Pillar 2 capital requirement is not applicable to IIPLC or IITL as the stylised risk profile addressed by Pillar 1 is considered adequate. The Pillar 2 capital requirement is assessed as part of the ICAAP process and results from exposure to the following risks:

6.2.1 Credit Risk

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due.

The Group is not exposed to high levels of credit risk, as it does not extend credit limits to clients since clients must have cleared funds to trade. The Group only places client cash out on deposit with a select list of highly rated counterparties. Significant percentages of these deposits are held in overnight or breakable deposits to mitigate any potential liquidity risk. For segregated fund clients, provision for the non-payment of fees is governed by our agreements with these clients.

Credit risk is determined by the Standardised Credit Risk approach in order to calculate an appropriate capital requirement for its credit risk exposure. These rules include additional categories of asset to which credit risk may apply. As a result, the Group calculates a credit risk requirement on the following asset classes:

- Cash
- Fee and other debtors
- Fixed assets

6.2.2 Market Risk

Market risk arises from adverse changes to the values of positions or portfolios arising from changes in market prices, interest rates or exchange rates.

As noted above, the Group does not undertake any principal trading for its own account. As a result, it is not exposed to any significant market risk which would arise from such.

The Group's operating policy is for foreign currency exposures to be kept to a minimum.

6.3.3 Business and Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The majority of the risks affecting the Group can be classified as operational risks and therefore most of the risk management effort is focused on operational risk. The Group seeks to mitigate operational risk to acceptable residual levels, in accordance with its risk appetite policy, by maintaining a strong control environment, which is managed through the Group's operational risk management framework, as set out in section 4. The Group also has insurance arrangements in place to mitigate operational risks.

7. Solvency

At the present time, based on our analysis of risks faced by the business and the capital required to be set aside for those risks, IIPLC and IITL have regulatory capital ratios of 192% and 576% respectively.

	IIPLC (consolidated)	**IITL**
	30/06/2015	**30/06/2015**
Pillar 1	**£'000**	**£'000**
Fixed Overhead Requirement	2,033	1,440
Pillar 2	-	-
	2,033	**1,440**
Surplus Capital	1,870	6,858
Regulatory Capital Ratio	192%	576%