Company Registration No. 5817088

Covestor Limited

Report and Financial Statements
For the Year Ended 31 December 2015

Covestor Limited

Report and Financial Statements 2015

Contents

Covestor Limited

Officers and Registered Office

Directors

Thomas Peterffy
Earl Nemser
Bimal Shah

Secretary

Paul J. Brody

Registered office

Level 20
Heron Tower
110 Bishopsgate
London EC2N 4AY

Covestor Limited

Strategic Report

Strategy and objectives

The directors present their report and the audited financial statements of Covestor Limited (the "Company") for the year ended 31 December 2015.

The Company is a Registered Investment Advisor with the Securities and Exchange Commission of the United States of America ("U.S.") that has developed an online marketplace connecting investors with asset managers.

The Company is wholly owned by Covestor, Inc., a corporation organised in Delaware, U.S. Covestor, Inc. was purchased by IB Exchange Corp, a corporation organised in Delaware, U.S. on 1 May 2015. IB Exchange Corp is a wholly-owned subsidiary of IBG LLC, a U.S. holding company, which is controlled by Interactive Brokers Group, Inc. ("IBG, Inc.") a publicly traded U.S. company with its registered office in One Pickwick Plaza, Greenwich, CT 06830, the ultimate controlling party of the Company.

The Company has also undergone a transition from reporting under Financial Reporting Standards for Smaller Entities 2008 ("FRSSE") to FRS 101 as issued by the Financial Reporting Council ("FRC"). The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC. This transition is not considered to have had a material impact on the financial statements.

Future prospects

During the year ended 31 December 2015, the Company continued its work on the development of technology to support a revolutionary financial investment framework. The Company's technology platform allows individual investors ('clients') to match the investment patterns of other 'lead' investors ('portfolio managers') that have offered their own investment strategies as portfolios to be followed. In 2016, the Company intends to further expand its product offerings and continue to grow its client base, which now exceeds 20,000.

Business performance

In 2015, the Company had a net loss of GBP 2.5 million as the Company continues to invest resources in the development and enhancement of its technology platform.

Principal risks and uncertainties

The Company's activities primarily include providing an online marketplace connecting investors with asset managers. These activities do not expose the Company to significant market and credit risk to third parties. The Company may, from time to time, invest in financial instruments that it holds at fair value. Such activity does not expose the Company to material market risks. The Company's transactions with affiliates exposes it to credit, capital and liquidity risks with affiliates.

The Company's parent, Covestor, Inc. and affiliates, including IBG LLC, provide financial support through financing facilities and equity capital. The Company maintains adequate funding for its operations through these funding facilities.

Subsequent events

The Company has evaluated the period after the balance sheet date up through 22 December 2016, which is the date that the financial statements were issued, and disclosed all relevant subsequent events or transactions that required recognition or disclosure in the financial statements, including the recapitalisation of the Company on 13 September 2016.

Covestor Limited

Strategic Report (continued)

Going concern

The Company is part of IBG, Inc. and, currently, it is reliant on funding from its parent and affiliates to provide sufficient capital resources and liquidity to meet its obligations as they fall due and is also reliant on the parent and affiliates for operational support. After making inquiries about the continued availability of operational support and considering the level of liquid capital within the parent and affiliates as well as their intention to provide ongoing financial support to the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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.

Signed on behalf of the directors

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Bimal Shah
Director
Approved by the directors on 22nd DEC 2016

Covestor Limited

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

Results

The directors report a loss of £2,542 thousand for the year ended 31 December 2015.

Directors

The directors who served the Company during the period were as follows:

Thomas Peterffy
Earl Nemser
Bimal Shah
Asheesh Advani
Antoine Devine
Tom Dorsky

Thomas Peterffy was appointed as a director on 1 May 2015.
Earl Nemser was appointed as a director on 1 May 2015.
Asheesh Advani resigned as director on 1 May 2015.
Antoine Devine resigned as director on 1 May 2015.
Tom Dorsky resigned as director on 1 May 2015.

Directors' indemnities

The Company has made no third party indemnity provisions for the benefit of its directors.

Political contributions

No charitable donations and political donations were made by the Company for the year ended 31 December 2015 (2014: £nil).

Auditor

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

(1) so far as the director is aware there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself, aware of any relevant audit information (as defined) 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.

Signed on behalf of the directors

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Bimal Shah
Director
Approved by the directors on 22nd DEC 2016

Covestor Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 Company's 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 Company's 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 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 U.K. 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 to 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.

Independent auditor's report to the members of Covestor Limited

We have audited the financial statements of Covestor Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 16. 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), including FRS 101 "Reduced Disclosure Framework".

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 auditor

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. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

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.

Other matter

As the company was exempt from audit under section 477 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

James Polson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
22 December 2016

Covestor Limited

Profit and Loss Account
For the year ended 31 December 2015

(in £ thousands)	Note	For the year ended 31 December 2015	(Unaudited) For the period 1 June 2014 - 31 December 2014
Turnover	2	140	230
Administrative expenses		(2,731)	(2,813)
Other operating income		4	-
Operating loss	3	(2,587)	(2,583)
Interest receivable		-	-
Interest payable		(5)	-
Loss on ordinary activities		(2,592)	(2,583)
Taxation	11, 12	50	121
Loss for the financial period		(2,542)	(2,462)
Other Comprehensive Income:			
Items that can be reclassified to profit or loss:		-	-
Total comprehensive income for the period		(2,542)	(2,462)

All activities are derived from continuing operations.

The notes on pages 11 to 16 form part of these financial statements.

Covestor Limited

Balance Sheet

(in £ thousands)	Note	31 December 2015	(Unaudited) 31 December 2014
FIXED ASSETS			
Tangible assets	6	-	25
		-	25
CURRENT ASSETS			
Cash at bank and in hand		152	212
Investments		1	-
Debtors	7	363	298
		516	510
CREDITORS: amounts falling due within one year	8	(1,890)	(118)
NET CURRENT ASSETS / (LIABILITIES)		(1,374)	392
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,374)	417
CREDITORS: amounts failing due after more than one year	9	-	(14,095)
NET LIABILITIES		(1,374)	(13,678)
CAPITAL AND RESERVES			
Called up equity share capital	14	-	-
Share premium account	15	15,535	689
Profit and loss account	15	(16,909)	(14,367)
EQUITY SHAREHOLDERS' DEFICIT		(1,374)	(13,678)

The notes on pages 11 to 16 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 December 2016. They were signed on behalf of the Board of Directors by:

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Bimal Shah
Director
Approved by the directors on ....22nd..DEC 2016
Company Registration No. 5817088

Covestor Limited

Statement of changes in equity
For the year ended 31 December 2015

(2014 unaudited) (in £ thousands)	Share capital	Capital contribution	Profit and loss account	Total
Balances as at 1 June 2014	**-**	**689**	**(11,674)**	**(10,985)**
Capital contribution	-	-	-	-
Loss for the period	-	-	(2,462)	(2,462)
Other comprehensive income for the period	-	-	-	-
Foreign currency retranslation	-	-	(231)	(231)
Balances as at 31 December 2014	**-**	**689**	**(14,367)**	**(13,678)**
Capital contribution	-	14,846	-	14,846
Loss for the period	-	-	(2,542)	(2,542)
Other comprehensive income for the period	-	-	-	-
Foreign currency retranslation	-	-	-	-
Balance as at 31 December 2015	**-**	**15,535**	**(16,909)**	**(1,374)**

1. ACCOUNTING POLICIES

Basis of accounting

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the Financial Reporting Council ("FRC") in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. As the Company became a subsidiary of IBG, Inc., during the year ended 31 December 2015, the Company has undergone a transition from reporting under Financial Reporting Standards for Smaller Entities 2008 ("FRSSE") to FRS 101 as issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, and related party transactions.

The financial statements are prepared under the historical cost convention as modified by the valuation of current asset investments at market value and in accordance with applicable law and United Kingdom Accounting Standards (FRS 101).

The financial statements have been prepared on the going concern basis as set out in the Directors' Report.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Fixed assets

All fixed assets are initially recorded at cost, reduced by depreciation over the estimated useful life of the asset. The Company periodically evaluates fixed assets for impairment on at least an annual basis.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset, as follows:

Fixtures & Fittings	5 years
Equipment	4 years
Website	4 years

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and 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.

Interest payable

Interest expense on financial liabilities is 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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. No deferred tax assets have been recognised as of 31 December 2015 and 31 December 2014.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period.

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements are presented in British Pounds Sterling ("GBP"), which coincides with the Company's functional currency.

Foreign currencies

Assets and liabilities in foreign currencies are revalued into GBP at the rates of exchange at the balance sheet date. Transactions in foreign currencies are revalued into GBP at the rate of exchange prevailing at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Group accounts

The Company is exempt from the obligation to prepare and deliver group accounts under s401 of the Company Act 2006. The Company is a wholly-owned subsidiary of IBG, Inc. Copies of IBG, Inc.'s financial statements are available from the U.S. Securities and Exchange Commission at sec.gov.

2. Turnover

(in £ thousands)	Year ended 31 Dec 2015	(Unaudited) 1 Jun 2014 - 31 Dec 2014
Asset management fees	140	230
	140	230

3. Operating loss

(in £ thousands)	Year ended 31 Dec 2015	(Unaudited) 1 Jun 2014 - 31 Dec 2014
Operating loss is stated after charging/(crediting) administrative expenses:		
Cost of revenues	80	90
Employee compensation and benefits	954	946
Occupancy, depreciation, and amortization	164	260
Communications	63	25
Other general and administrative expenses	1,478	1,482
(Gain)/loss, foreign currency	(8)	10
	2,731	2,813
Other operating income:	(4)	-
	2,727	2,813

4. Auditor's remuneration

(in £ thousands)	Year ended 31 Dec 2015	(Unaudited) 1 Jun 2014 - 31 Dec 2014
Audit of the Company's annual accounts (included within administrative expenses)	30	-
	30	-

5. Employee costs (including directors)

During 2015, the average number of direct employees on a full-time equivalent basis was 10, composed of 5 administration and 5 software development personnel. Additional technology infrastructure and certain support functions are provided by the Group affiliates.

(in £ thousands)	Year ended 31 Dec 2015	(Unaudited) 1 Jun 2014 - 31 Dec 2014
Wages and salary	790	784
Social security costs	112	93
Other personnel fees	52	-
Directors' emoluments	-	69
	954	946

6. Fixed assets

(in £ thousands)	31 Dec 2015	(Unaudited) 31 Dec 2014
Balance brought forward	25	32
Additions	17	-
Depreciation/impairment of owned fixed assets	(42)	(7)
	-	25

7. Debtors

(in £ thousands)	31 Dec 2015	(Unaudited) 31 Dec 2014
All amounts falling due within one year:		
Trade debtors	7	22
Amounts owed from group undertakings	200	-
Other	156	276
	363	298

8. Creditors: Amounts falling due within one year

(in £ thousands)	31 Dec 2015	(Unaudited) 31 Dec 2014
Trade creditors	(183)	(78)
Amounts owed to group undertakings	(1,707)	-
Other creditors	-	(40)
	(1,890)	(118)

9. Creditors: Amounts falling due after more than one year

(in £ thousands)	31 Dec 2015	(Unaudited) 31 Dec 2014
Amounts owed to group undertakings	-	(14,095)
	-	(14,095)

10. Operating lease arrangements

(in £ thousands)	31 Dec 2015	(Unaudited) 31 Dec 2014
Lease payments made under operating leases recognised as an expense in the year	73	106
At the balance sheet date, future minimum lease payments under operating leases as follows:		
Within one year	61	61
In the second to fifth years inclusive	159	220
After five years	-	-
	220	281

11. Deferred taxation

No provision has been made in the financial statements for deferred tax amounts. The Company had net losses of £2,542 thousand for the year ended 31 December 2015. Accordingly, no income tax amounts are incurred or provisioned. The Company also has accumulated taxable losses from prior periods that are available to offset future taxable income. The Company has not recognized any deferred tax assets related to accumulated taxable losses from prior periods as of 31 December 2015 or 31 December 2014.

12. Research and development tax credits

Factors affecting the tax charge for the year

The company is eligible for enhanced allowances and tax credits in respect of its research and development activities. The Company has recognised an asset receivable for research and development tax credits in the amount of £50 thousand as of 31 December 2015.

Factors that may affect future tax charges

If the company continues to be eligible for enhanced allowances and tax credits in respect of its research and development activities then it is likely to recognize a tax credit in future periods.

13. Controlling party and related party transactions

As part of its operations, the Company enters into transactions with related parties that are subsidiaries of IBG LLC. Amounts owed from group undertakings represent receivables from Interactive Brokers LLC of £149 thousand and other short-term receivables due from Covestor, Inc. of £51 thousand as of 31 December 2015.

Amounts owed to group undertakings represent loan and accrued interest payable to IBG LLC of £562 thousand to fund ongoing operations and other short-term payables of £1,076 thousand and £69 thousand due to Covestor, Inc. and Interactive Brokers (U.K.) Limited, respectively.

During the year ended 31 December 2015, the Company incurred management fee expense to Covestor, Inc. of £1,087 thousand, commissions expense to Covestor, Inc of £3 thousand, and interest expense to IBG LLC of £5 thousand.

For the year ended 31 December 2015, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

14. Share capital

Allotted, called up and fully paid:

	31 Dec 2015		(Unaudited) 31 Dec 2014	
	Number of Shares	(in £)	Number of Shares	(in £)
Ordinary shares of £0.00001 each	19,700,000	197	19,700,000	197
Ordinary B shares of £0.00001 each	1,162,500	12	1,162,500	12
Preference A-1 shares of £0.00001 each	3,000,000	30	3,000,000	30
Preference A-2 shares of £0.00001 each	2,670,000	27	2,670,000	27
	26,532,500	265	26,532,500	265

All shares in issue rank pari passu but in the event of liquidation or winding up, the assets available for distribution shall be applied in the following priority:

(i) 1st in payment pari passu to holders of Series A-1 and Series A-2 preferred shares, as part of Series B.
(ii) 2nd in payment pari passu to holders of Ordinary shares.

15. Statement of movements on reserves

(in £ thousands)	Capital contribution	Profit and loss account	Total
Balances as at 1 January 2015 (unaudited)	689	(14,367)	(13,678)
Capital contribution	14,846	-	14,846
Loss for the financial year	-	(2,542)	(2,542)
Balance as at 31 December 2015	15,535	(16,909)	(1,374)

16. Transitioning from old UK GAAP to FRS 101

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. As the Company became a subsidiary of IBG, Inc., during the year ended 31 December 2015, the Company has undergone a transition from reporting under Financial Reporting Standards for Smaller Entities 2008 ("FRSSE") to FRS 101 as issued by the FRC. These financial statements have been prepared in accordance with FRS 101.

Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (FRSSE) were for the period 1 June 2014 to 31 December 2014. The date of transition to FRS 101 was therefore 1 June 2014.

Reconciliation of equity

There were no changes in equity as reported as a result of the transition to FRS 101.

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