Company Registration No. 05817088

Covestor Limited

Report and Financial Statements
For the Year Ended 31 December 2019

Covestor Limited

Report and Financial Statements 2019

Contents

Covestor Limited

Officers and Registered Office

Directors

Earl Nemser
Bimal Shah

Secretary

Paul Brody

Registered office

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

Auditors

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

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 2019.

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.

Corporate Governance; 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 user 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 or belief, 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.

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, to meet statutory requirements, or where such policies are commercially sensible.

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.

Business performance and future prospects

In 2019, the Company had a net loss of £3.5 million, (2018: £3.5 million), as the Company continues to invest resources in the development and enhancement of its investment management technology platform, for which it qualifies to make Research and Development claims.

The net liabilities of the Company as at 31 December 2019 were £1.1 million (31 December 2018: £1.3 million).

Covestor Limited

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 2020, the Company intends to further expand its product offerings and continue to grow its client base. As at 31 December 2019, there were 505 clients (as at 31 December 2018: 497 clients).

On 25 September 2019, the Company received a capital contribution of $4,600,000 (£3,724,000 in pound sterling equivalents) from IBG LLC, used to settle intercompany loans.

Key Performance Indicators

The directors of IBG, Inc. manage the group's operations on a group basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance, or position of the business of the Company.

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 in its capacity as portfolio manager. Such activity does not expose the Company to material market risks. The Company's transactions with affiliates expose it to credit, capital and liquidity risks with affiliates.

Technology risk exists to the extent that ineffective IT strategy or technological development could impact on our ability to provide leading technology solutions in our market and therefore affecting our competitiveness. The Company mitigates this risk with a developed and communicated IT strategy aligned to our overall business objectives and has considered external factors such as the pace of technology change and internal factors such as the underlying quality required throughout IT.

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.

As disclosed in the 2018 annual report, the UK's departure from the European Union ('Brexit') is 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 any eventualities that emerge for our employees, clients and the business as a whole in withstanding market-wide stresses triggered by Brexit.

An additional risk relates to the novel coronavirus ("Covid-19"). Following the end of 2019, the world experienced an outbreak of the disease which has disrupted global financial markets. The Company has policies in place to minimize the potential risk of business interruption caused by the spread of the outbreak to staff including work from home options.

As the Company operated in an online environment, social distancing, border closings and other results of the pandemic are not expected to have a material adverse impact on the Company's operations. The Company will continue to monitor the impact of Covid-19, but notes that, at the date of this report, it is too early to determine the full impact this virus may have on the Company. The Company is expected to continue as a Going Concern.

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

Bimal Shah
Director
Approved by the directors on 14 May 2020

Covestor Limited

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Results and dividends

The directors report a loss of £3,488,000 for the year ended 31 December 2019 (2018: £3,489,000). No dividends are proposed (2018: £nil).

In 2020, the Company intends to further expand its product offerings and continue to grow its client base.

Principal risks and uncertainties

Details of principal risks and uncertainties can be found in the Strategic Report on pages 2 to 3.

Directors

The directors who served the Company during the year, and up to the date of this report, were as follows:

Earl Nemser
Bimal Shah

Directors' indemnities

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

Political contributions

No charitable donations or political donations were made by the Company for the year ended 31 December 2019 (2018: 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.

Subsequent events

The Company has evaluated the period after the balance sheet date up through 14 May 2020, which is the date that the financial statements were issued, and determined that the following subsequent event be disclosed:

Covid-19

In March 2020, the World Health Organization recognized the outbreak of Covid-19 caused by a novel strain of the coronavirus as a pandemic. The pandemic affects all markets in which we operate. The response of governments and societies to the Covid-19 pandemic, which includes temporary closures of businesses; social distancing; travel restrictions, "shelter in place" and other governmental regulations; and reduced consumer spending due to job losses, has significantly impacted market volatility and general economic conditions.

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 our customers, employees and vendors; governmental regulations in response to the pandemic; and the overall impact of the pandemic in the economy and society; among other factors. Any of these events could have a materially adverse effect on the Company's financial results.

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 a period of at least 12 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.

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Directors' Responsibilities Statement

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

Bimal Shah
Director
14 May 2020

Independent auditor's report to the members of Covestor Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Covestor Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

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
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in respect of these matters.

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

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

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.

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, UK
14 May 2020

Covestor Limited

Profit and Loss Account
For the year ended 31 December 2019

(in £ thousands)	Note	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Turnover	2	127	148
Gross profit		127	148
Administrative expenses		(3,646)	(3,558)
Other operating income / (expense)		13	(4)
Operating loss	3	(3,506)	(3,414)
Finance income		7	4
Finance cost		(70)	(138)
Loss before taxation		(3,569)	(3,548)
Tax on profit or loss	5	81	59
Loss for the financial year attributable to owners of the Company		(3,488)	(3,489)
Other comprehensive income for the year net of tax		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(3,488)	(3,489)

All activities are derived from continuing operations.

The notes on pages 12 to 20 form part of these financial statements.

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Balance Sheet as at 31 December 2019

(in £ thousands)	Note	31 December 2019	31 December 2018
FIXED ASSETS			
Tangible assets	6	26	12
		26	12
CURRENT ASSETS			
Cash at bank and in hand		361	488
Investments	7	72	48
Debtors	8	580	476
		1,013	1,012
Creditors: amounts falling due within one year	9	(2,110)	(2,331)
NET CURRENT LIABILITIES		(1,097)	(1,319)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,071)	(1,307)
NET LIABILITIES		(1,071)	(1,307)
CAPITAL AND RESERVES			
Called up equity share capital	10	-	-
Capital contribution		29,453	25,729
Profit and loss account		(30,524)	(27,036)
		(1,071)	(1,307)

The notes on pages 12 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2020. They were signed on behalf of the Board of Directors by:

Bimal Shah
Director

Company Registration No. 05817088

Covestor Limited

Statement of Changes in Equity
For the year ended 31 December 2019

(in £ thousands)	Share capital	Capital contribution	Profit and loss account	Total
Balances as at 1 January 2018	**-**	**18,946**	**(23,547)**	**(4,601)**
Capital contribution	-	6,783	-	6,783
Loss for the year	-	-	(3,489)	(3,489)
Other comprehensive income for the year	-	-	-	-
Foreign currency retranslation	-	-	-	-
Balance as at 31 December 2018	**-**	**25,729**	**(27,036)**	**(1,307)**
Capital contribution	-	3,724	-	3,724
Total comprehensive loss for the year	-	-	(3,488)	(3,488)
Other comprehensive income for the year	-	-	-	-
Foreign currency retranslation	-	-	-	-
Balance as at 31 December 2019	**-**	**29,453**	**(30,524)**	**(1,071)**

Profit and loss account represents accumulated retained earnings.

The notes on pages 12 to 20 form part of these financial statements.

Covestor Limited

Notes to the Financial Statements for the year ended 31 December 2019

1. Accounting policies

General information

Covestor Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The address of the Company's registered office is shown on page 1.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

Basis of accounting

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 Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the Financial Reporting Council ("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, share based payments, 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.

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 year.

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 FVTPL unless certain conditions are met which permit measurement at 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 Company's equity investments are held at FVTPL as they are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets.

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.

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.

Fixed assets

All fixed assets are initially recorded at cost less accumulated 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 on a straight-line basis as follows:

Computer Equipment	5 years
Office Equipment	7 years

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 2019 and 31 December 2018.

Turnover

Turnover consists of monthly management fees which are recognised when and to the extent that a right to consideration is received. Management fees are therefore recognised on an accruals basis.

Foreign currencies

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

Key accounting judgements and 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 judgments, estimates or assumptions have been identified.

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Notes to the Financial Statements for the year ended 31 December 2019

2. Turnover

(in £ thousands)	Year ended 31-Dec-19	Year ended 31-Dec-18
Asset management fees	127	148
	127	148

All revenue is derived from U.K. continuing operations.

3. Operating loss

(in £ thousands)	Year ended 31-Dec-19	Year ended 31-Dec-18
Operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets	7	8
Foreign exchange loss	75	89
Services provided by the Company's auditor:		
Audit of the Company's annual accounts	42	24
Other services related to taxation	15	13
	57	37

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Notes to the Financial Statements for the year ended 31 December 2019

4. Employee remuneration (including directors' remuneration and highest paid director)

(in £ thousands)	Year ended 31-Dec-19	Year ended 31-Dec-18
Wages and salary	1,077	1,000
Social security costs	117	137
Pension contribution	39	38
	1,233	1,175
Monthly average number of employees		
Administration	4	4
Software Development	5	4
	9	8
Director's Emoluments		
Emoluments	232	224
Stock incentive compensation	21	20
Pension contributions	12	12
	265	256

During the year, one director was remunerated by the Company (2018: one).

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Notes to the Financial Statements for the year ended 31 December 2019

5. Taxation

No provision has been made in the financial statements for deferred tax amounts. The Company had net losses of £3,569,000 for the year ended 31 December 2019 (2018: loss £3,548,000). Accordingly, no corporation tax amounts are incurred or provisioned.

(in £ thousands)	Year ended 31-Dec-19	Year ended 31-Dec-18
Analysis of tax charge		
UK Corporation tax	-	-
Research and development tax credits	81	59
Total tax credit for the year	81	59
Factors affecting total tax charge		
Loss before tax	(3,569)	(3,548)
Loss multiplied by Corporation Tax rate in the UK of 19% (2018: 19%)	(678)	(674)
Effects of:		
Losses for which no deferred tax asset recognised	678	674
Research and development tax credits	81	59
Total tax credit for the year	81	59

Factors affecting the tax credit for the year

The Company is eligible for enhanced allowances and tax credits in respect of its research and development activities.

The Company has a receivable for research and development tax credits for the year ended 31 December 2019 in the amount of £81,000 (2018: £59,000).

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 years.

The Company has not recognised any deferred tax assets related to accumulated taxable losses from prior years as of 31 December 2019 or 31 December 2018 as the Company does not expect to have future profits to utilize a deferred tax asset. As at 31 December 2019, such accumulated taxable losses amounted to £30,524,000 (31 December 2018: £27,036,000)

Covestor Limited

Notes to the Financial Statements for the year ended 31 December 2019

6. Tangible assets

(in £ thousands)	Computer Equipment	Furniture & Fixtures	Office Equipment	Total
Cost £ (in thousands)				
As at 1 January 2018	16	-	3	19
Additions	10	-	-	10
As at 1 January 2019	26	-	3	29
Additions	-	22	-	22
Retired assets	(13)	-	-	(13)
As at 31 December 2019	13	22	3	38
Depreciation £ (in thousands)				
As at 1 January 2018	(8)	-	(1)	(9)
Charge for the year	(7)	-	(1)	(8)
As at 1 January 2019	(15)	-	(2)	(17)
Charge for the year	(6)	(1)	(1)	(8)
Retired assets	13	-	-	13
As at 31 December 2019	(8)	(1)	(3)	(12)
Net book value £ (in thousands)				
As at 31 December 2019	5	21	-	26
As at 31 December 2018	11	-	1	12

7. Investments

(in £ thousands)	31 December 2019	31 December 2018
Equity investments held at FVTPL	72	48
	72	48

All equity investments are classified as Level 1 of the fair value hierarchy. Such Level 1 financial instruments, which are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets, comprise active listed stocks.

8. Debtors

(in £ thousands)	31 December 2019	31 December 2018
Trade debtors	9	10
Amounts owed from group undertakings	475	377
Prepayments and accrued income	16	29
Other debtors	80	60
	580	476

Amounts owed from group undertakings are unsecured, interest free and repayable on demand. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed from group undertakings.

9. Creditors: amounts falling due within one year

(in £ thousands)	31 December 2019	31 December 2018
Trade creditors	9	21
Amounts owed to group undertakings	1,845	2,090
Other tax and social security	6	14
Accruals and deferred income	250	206
	2,110	2,331

Amounts owed to group undertakings are unsecured, repayable on demand and interest free with the exception of an intra-group loan with principal balance as at 31 December 2019 of £1,379,475 (31 December 2018: £1,631,319). The loan is unsecured, repayable on demand and interest is charged at a market rate. Interest charged on the loan in 2019 was £70,000 (2018: £138,000) and is included in finance costs in the Profit and Loss Account. In all cases, the amounts owed to group undertakings are unsecured and will be settled in cash. No guarantees have been given or received.

10. Share capital

Allotted, called up and fully paid:

	31-Dec-19		31 December 2018	
	Number of shares	Share capital (in £)	Number of shares	Share capital (in £)
Ordinary A 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 A1 shares of £0.00001 each	3,000,000	30	3,000,000	30
Preference A2 shares of £0.00001 each	2,670,000	27	2,670,000	27
		266		266

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 A1 and Series A2 preferred shares.
(ii) 2nd in payment pari passu to holders of Ordinary shares.

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Notes to the Financial Statements for the year ended 31 December 2019

11. Financial instruments and risk management

Overall

The Company's principal and business activities result in the use of financial instruments. Such activity does not expose the Company to material market risks. The total loss on equity investments held at FVTPL in the year was £10,880 (2018: £4,662 loss).

Credit risk

The Company's transactions with affiliates expose it to credit risk. The Company manages the credit exposure to each if its group counterparties typically by keeping the minimum required balances at each counterparty. No amounts due from counterparties are impaired (2018: none).

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'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.

The Company's exposure to interest rate risk is considered by the directors to be immaterial.

Fair value of financial instruments

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

Categories of financial instruments

Details of the significant accounting policies in respect of each class of financial instrument are disclosed in note 1 to the accounts.

(in £ thousands)	Year ended 31-Dec-19	Year ended 31-Dec-18
Financial assets		
Equity investments held at FVTPL	72	48
Cash	361	488
Amortised cost	485	387
Financial liabilities		
Amortised cost	1,854	2,111

All equity investments are classified as Level 1 of the fair value hierarchy. Such Level 1 financial instruments, which are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets, comprise active listed stocks.

12. Ultimate controlling party

The Company's immediate parent company is Covestor Inc. a company incorporated in the United States.

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is IBG, Inc., a company incorporated in the United States. This is also the parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared. Copies of the group financial statements of IBG, Inc. are available from its registered office at 1 Pickwick Plaza, Greenwich, CT, 06830, USA.

13. Subsequent events

On 30 January 2020, the spread of Covid-19 was declared a Public Health Emergency of International Concern by the World Health Organisation ("WHO"). Subsequently, on 11 March 2020, WHO characterised Covid-19 as a pandemic. As this declaration was made after the reporting period, the entity believes it constitutes a "Non-Adjusting Subsequent Event" as defined in IAS 10.

The Company has seen an increase in market volatility during the first quarter of 2020. The effects of Covid-19 are not anticipated to materially change the valuation of assets or liabilities set forth in the balance sheet.