Tradition Financial Services Ltd

Strategic report, Directors' report and statutory financial statements

31 December 2022
Registered no: 01046064

Contents

General information

Directors	M Abbott (Chairperson)	
	M Anderson	
	C Baillet	
	C Bienstock	
	F Brisebois	
	T de Saint Ouen	
	J Canteenwala	(appointed 15 March 2022)
	M Leibowitz	
	S Vjestica	
	A Wink	
	W Wostyn	
Secretary	M Lau	(resigned on 14 February 2023)
Registered office	Beaufort House 15 St. Botolph Street London EC3A 7QX	
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY	
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF	
Bankers	NatWest 120 – 122 Fenchurch Street London EC3M 5AN	

Strategic report

The Directors present their strategic report for the year ended 31 December 2022 for Tradition Financial Services Limited ("the Company"). The Company is a private limited company incorporated in the United Kingdom and registered in England and Wales.

Principal activities and review of the business

The Company's principal activities are broking of energy, commodity, other financial and non-financial products and environmental instruments. The Company is authorised and regulated by the Financial Conduct Authority (FCA) in order to undertake certain regulated activities.

As disclosed in note 22 of the financial statements, the Company has key regulatory indicators including regulatory capital, which are monitored on an on-going basis. The Company's key financial indicators are turnover and operating profit. Turnover increased by 7% from £34,237k to £36,576k and operating loss for the year decreased from £10,908k loss to a profit of £45k, reflecting the rise in turnover and the reduction in admin expenses.

The Company also recognised net interest receivable of £9k (2021:£7k). The resulting loss for the year after taxation was £293k (2021: £8,909k).

There is no doubt that electronic platforms are growing in importance however the default model would appear to be a hybrid model where the broker remains involved. Given this has been the Tradition UK group strategy; the Company does not see the prevalence of electronic platforms as an imminent threat although it is something that is continually monitored.

Principal risks and uncertainties

Legal, reputational, and conduct risk

The Company seeks to operate within expected ethical standards of the markets, by conducting business activities in accordance with applicable legal and regulatory requirements and through internal policies governing behaviour and conduct. Like all businesses with employees, competitors and clients, from time-to-time the Company may become involved in disputes and/or litigation. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material. The Company or its advisors or its auditors from time-to-time may identify areas where regulatory rules or expectations have not been met, or where improvements in governance, operational processes, or controls are recommended. The Company will in these cases liaise with the relevant regulatory authorities as appropriate. The directors have introduced various initiatives to address any governance, operational, and controls issues so identified.

The Board has ultimate responsibilities for identifying and managing the Company's principal risks in order to achieve its strategic objectives. The following section sets out the Company's principal risks and uncertainties to which the Company is exposed to and how these risks are mitigated.

Other Legal

In 2017, the Company was served with legal claims (against it and other financial institutions) by the liquidators of a number of liquidated companies, for alleged liability relating to a VAT carousel fraud in which the liquidated companies were implicated. The Company acted as an intermediary in the transmission of a limited number of orders relating to these transactions.

The liquidators are seeking damages because they believe that the Company failed to identify the offenses and therefore assisted the directors of these English companies in liquidation to breach their legal duties. The Company is vigorously defending itself on the basis that it did not provide such assistance to the directors of these companies and did not act in violation of its obligations. After a two-year postponement of the hearings due to the pandemic, the trial in respect of these proceedings took place in the first quarter of 2022 and .a provision for £10.5m was recorded for the year ended 31 December 2021. An appeal hearing took place during February 2023 and the appeal was rejected. Consequently, management booked an additional provision of £208k for the year ended 31 December 2022. The amount of provision is included under long-term provisions at 31 December 2022.

Brexit

The United Kingdom left the European Union on 31 January 2020, with a transition period to negotiate a trade agreement ending on 31 December 2020.

Since the Company has limited exposure to European clients, the impact of Brexit on the Company has been limited. The Board continues to actively monitor the situation.

Coronavirus disease 2019 ("COVID-19")

Since lifting of all the restriction in late 2021 there has not been any material disruption to operations in wider market and company operations in 2022. The Board have considered the potential future impact of a further period of reduced activity on the performance and position of the Company but found the risk to company operations or financial health to be relatively low.

Russian invasion of Ukraine

In the build-up to the current crisis in Ukraine, Western allies warned Russia that any breach of Ukraine's territorial integrity and sovereignty would be met with unprecedented economic measures. On 24 February 2022, Russian military forces crossed the border into Ukraine. The UK, EU, US, and other allies, have responded with significant coordinated sanctions, targeting Russia's financial sector, strategic sectors of the economy such as defence and aerospace, and individuals close to the regime.

The products, activities and counterparties related to these events represent a very limited part of the Company's activities. In addition, as of 31 December 2022, the Group's exposure to credit risk on receivables from Russian counterparties is marginal.

The situation is constantly changing; however, there were no material adverse effects on the Company as at the date the financial statements were authorized for issue.

Section 172(1) statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006.

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequence of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company.

The Directors continue to review their current approach to corporate governance and decision making, engagement with stakeholders and the Company's impact on the environment.

The Company has identified its key stakeholders as employees, suppliers, customers, regulators, shareholders and the wider community in which the Company operates.

The following summarises how the Company's fulfil its duties under Section 172 (1):

Consequence of any decisions in the long term

As part of the budgeting process, each year the Board undertakes a review of the Company's strategy and the business plan for the following year and beyond. This strategy helps form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of these decisions in the long term and its long-term reputation.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). As a regulated entity, the Company is therefore required to gain due understanding of its risks and put in place an appropriately robust risk management and governance system which continually evolves. The Directors' fulfilment of their duties is augmented by a governance framework that delegates day-to-day decision-making to senior management.

The design of this framework involves a series of Committees including those whose explicit remit covers areas such as liquidity, capital and conduct and who are empowered to challenge business decisions against both short and longer term considerations.

The Company operates a Risk framework which includes forward looking key risk indicators and forecast metrics.

The Company seeks to assess and measure the long-term consequence of its decisions when preparing forward looking financial planning, including considering stress events and other pressures as part of going concern, Internal Capital Adequacy Assessment Process (ICAAP) / Internal Capital Adequacy Risk Assessment (ICARA) and specific stress testing.

Interests of the Company's employees

The Company puts time and care into hiring decisions, taking a long-term approach.

Employees are offered opportunities for growth through on-the-job learning. The Company believes in a "grow from within" approach to the development of its people, with a focus on internal mobility across business groups and functions within the wider group.

Business relationships with suppliers, customers and others

Suppliers
The Company endeavours to ensure that its suppliers feel fairly treated and relationships with them are actively managed. The aim is to have long-term, symbiotic, relationships with key suppliers as this benefits the Company and the supplier – both financially and in less tangible ways when both parties share an understanding of the needs of the other.

The Board recognises, and is committed to relevant national and international standards, which it expects suppliers to abide by, including those set out by the International Labour Organisation, the Bribery Act 2010 and the Equality Act 2010.

Customers
Brokerage is customer focussed, which is why goals of superior execution and superb customer service are central to the Company's overarching operating model. The Company is always looking for new ways to strengthen customer offerings and seeks ongoing engagement with customers and their senior management as the Company seeks to build ever deeper relationships.

Regulators
The Company is subject to an extensive and supervisory regulatory framework.

This framework is principles based, with a key principle being the need for open and honest dialogue with regulators. The Board takes this responsibility seriously and, as a result seeks proactive engagement with regulators such as the FCA on various matters, including forward-looking consultations on prospective regulatory changes.

Community and Environment

The Company's approach is to use its position of strength to create positive change for the people and communities in which it interacts, with a goal of leveraging its expertise and enabling colleagues to support the surrounding communities.

Business Conduct

The Company seeks to operate within expected ethical standards of the markets, by conducting business activities in accordance with applicable legal and regulatory requirements and through internal policies governing behaviour and conduct. The Company undertakes ongoing reviews of how evolving legislation, guidelines and best practices should be best reflected.

As part of this effort, all employees are mandated to complete various training seminars with recorded affirmations and tests. These cover a range of recurring and bespoke topics such as business integrity, anti-bribery and corruption (ABC), market abuse and equality and diversity.
With the application of the Senior Manager and Certification Regime, personal obligations with respect to conduct have come further into focus and the Company is required to certify that employees are fit and proper on an annual basis.

Acting fairly between shareholders

The Company has a single shareholder, being Tradition UK Holdings Limited.

Other risks

The Company operates as a broker in various financial markets. As such it does not take any proprietary positions and acts solely as an intermediary for clients. The main risks facing the business arising out of its broking activities are operational risk, credit risk, market risk, liquidity risk, conduct risk, legal and reputational risk (see note 22: Financial risk management policies and objectives). The Company operates in a competitive environment and therefore is also subject to changes in markets and the actions of competitors.

On behalf of the Board

M Anderson
Director
19 June 2023

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2022.

Directors and their interests

The Directors who served during the year and up until the date of signing were as follows:

M Abbott	
M Anderson	
C Baillet	
C Bienstock	
T DeSaintOuen	
J Canteenwala	appointed 15 March 2022
F Brisebois	
M Leibowitz	
S Vjestica	
A Wink	
W Wostyn	

None of the Directors had any beneficial interest in the share capital of the Company or any other Tradition UK group company at any time during the year.

Directors' liabilities

The Company has granted an indemnity to one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Results and dividends

The Company recognised a loss for the year after taxation of £293k (2021: Loss £8,909k) as shown in the Statement of Comprehensive Income on page 17. During the year an interim dividend of £nil was paid (2021; £5m). There were no final dividends (2021: £nil).

Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for a period of 12 months from when the financial statements were authorised for issue. In reaching this conclusion, they have considered the current and forecast regulatory capital and liquidity positions, as well as budgets and financial models for a period covering 2023 and up to 12 months from when the financial statements were authorised for issue.

In addition, an assessment has been undertaken to determine any negative impact on the Company caused by the current Russian sanctions.The business activities impacted by the sanctions represent a very limited part of the Company's activities. In addition, as of 31 December 2022, the Company's exposure to credit risk on receivables from Russian counterparties is marginal. Consequently the sanctions do not pose an issue to the going concern of the Company.

Financial instruments

The Company finances its activities with a combination of cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations and its sources of finance.

Financial instruments give rise to market, foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise are detailed in Note 22, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Use of derivatives

The Company uses swaps and forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The swaps and forward contracts are recorded at fair value (see Note 20: Derivative Financial Instruments). The current year contracts recorded in assets mature within one month (£36k), between one and three months (£103k) and between three and six months (£1k) whereas the contracts recorded in liabilities mature between one and three months (£103k).

Events after the balance sheet date

The provision held in respect of the legal claims by the liquidators of a number of liquidated companies as disclosed in note 13 was increased in Q1 2023 when an appeal hearing held in February 2023 was rejected. As a result of the rejection, the interest costs incurred which relate to 2022 were added to the provision increasing it from £10,500k to £10,708k as at the 31 December 2022. The decision has been appealed again and the case is still on going.

Future developments

The Company focuses on maintaining and developing its position as a key player in the wholesale inter-dealer broker market as part of the global Tradition brand.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Streamlined Energy and Carbon Reporting

On 1 April 2019, the *Streamlined Energy and Carbon Reporting* was implemented through the enforcement of the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulation 2018.

The below table and supporting narrative summarise the disclosure in line with the requirement for a large unquoted company.

	2022	2021
Scope 1: Emissions for which the company own or control, including emissions from combustion in owned or controlled boilers and vehicles (tCO2e)	-	-
Scope 2: Emissions from the purchase of energy, heat, steam & cooling purchased for own use in premises and data centres (tCO2e)	93	70
Scope 3: Emissions from business travel in rental or employee-owned vehicles (tCO2e)	-	-
Total gross emissions (tCO2e)	**93**	**70**
Total energy consumption based on the above (kWh)	**438,335**	**329,615**
Intensity ratio: tCO2e per FTE	**1.49**	**1.13**

Methodology:
The total energy and emissions for the Tradition London Group have been apportioned between subsidiaries based on employee numbers (FTE).

Energy consumption was converted to greenhouse gas estimates using the UK Governments' GHG Conversion Factors for Company Reporting 2021 & 2022.

The Company recognises its responsibility to help protect the environment and aims to promote high standards of environmental and social practice as outlined below:

Environmental Impact:
The Company does not engage in activities that are generally regarded as having a high environmental impact. Any direct environmental impact stems primarily from the energy used to heat, cool and power our office and data centres, business travel, and waste disposal of IT equipment and paper. The Company is committed to monitoring and reviewing its environmental performance in these areas.

Carbon Footprint:
The Company's greenhouse gas emissions mainly result from office-based business activities and business travel. Consequently, this is where effort is focussed to reduce its impact. The Company aims to reduce the carbon footprint of its activities by improving the efficiency of our offices and data centres and by opting for video-conferencing for distance meetings rather than air travel.

Energy:
Electricity is consumed for day-to-day business operations, lighting and air conditioning as well as for powering IT devices and technical infrastructure. Various initiatives have been put in place to reduce the environmental impact including selecting IT equipment with better energy efficiency ratings and transitioning to lighting that uses infrared presence detectors.

Business Travel:
Changes in working practices necessitated by the pandemic have accelerated some initiatives, which reduce the carbon impact, such as the use of digital collaboration tools. As the risks and restrictions related to the pandemic have eased, modified travel policies have been implemented to include stricter justification criteria in order to discourage unnecessary travel.

Waste:
Various initiatives have been put in place focussing on waste reduction and recycling. There is a push to work towards a paperless environment, and any residual printing defaults to black-and white and double-sided, saving both paper and ink. At the end of its life cycle, old PCs, laptops and monitors are not sent to waste, instead sent to specialist recyclers who ensure that all data is destroyed and then reuse or recycle valuable materials.

Auditors

The auditor in office will be deemed to have been re-appointed pursuant to section 487(2) of the Companies Act 2006 unless the members or Directors resolve otherwise.

On behalf of the Board
M Anderson
Director
19 June 2023

Statement of Directors' responsibilities in respect of financial statements

The following statement, which should be read in conjunction with the independent auditors report on pages 13 - 16, is made by the Directors to explain their responsibilities in relation to the preparation of the Directors' Report, Strategic Report and Financial Statements.

The Directors are responsible for preparing the Strategic Report, 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 including financial reporting standard 101 'Reduced Disclosure Framework' 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 of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State that the Company had complied with FRS 101, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRADITION FINANCIAL SERVICES LTD.

Opinion

We have audited the financial statements of Tradition Financial Services Ltd. (the "Company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 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.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following:

- Validated that the directors' assessment covers at least 12 months from the reporting date, with our procedures covering the same period as the directors' assessment;
- Understood the method applied by the directors, and considered whether it was appropriate in the context of the reporting framework;
- Evaluated whether the data used in the assessment is appropriate and sufficiently reliable for our audit purposes, and tested supporting calculations for mathematical accuracy;
- Assessed the reasonableness of the directors' underlying assumptions applied in the method;
- Evaluated plans for future actions and obtained written representations in this regard;
- Considered any additional information arising subsequent to the date of the directors' assessment, prior to the reporting date that should be factored into the assessments;
- Performed independent sensitivity analysis on the stressed scenarios applied by the directors; and
- Evaluated the accuracy and reasonableness of stress testing performed by the management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK Companies Act 2006, UK tax legislation, FRS 101 "Reduced Disclosure Framework" and the requirements of the Financial Conduct Authority.
- We understood how the Company is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. We have also performed a review of regulatory correspondence and reviewed minutes of the Board meetings held.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the entity level controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. Where the risk was considered to be higher, including areas impacting management remuneration, we performed audit procedures to address these risks. We also considered performance and incentive plan targets and their potential to influence management to manage earnings. Our procedures also included sampling manual journal entries to verify that the transactions were appropriate and supported by the source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of senior management (including internal legal counsel) and internal audit for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the Company's methods of enforcing and monitoring compliance with such policies. We also obtained legal confirmations from, and spoke directly with, the Company's external legal counsel to confirm our understanding of those instances of potential non-compliance with relevant regulations and evaluated the need for recording a provision for any such cases.

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

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.

Ernst & Young LLP

Nicholas Dawes (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
19 June 2023

Statement of comprehensive income

For the year ended 31 December

	Notes	2022 £'000	2021 £'000
Revenue		7,151	2,372
Intra group revenue transfer		29,425	31,865
Turnover	3	**36,576**	**34,237**
Administrative expenses		(36,531)	(45,145)
Operating profit/(loss) before interest and tax	4	**45**	**(10,908)**
Interest receivable	5	26	25
Interest payable	6	(17)	(18)
Profit / (Loss) on ordinary activities before taxation		**54**	**(10,901)**
Tax (charge) / credit on ordinary activities	9	(347)	1,992
Loss for the year		**(293)**	**(8,909)**

The notes on pages 20 to 40 form part of these financial statements.

Balance sheet

As at 31 December

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investments – non current	10	42	42
Deferred tax	14	1,072	1,521
		1,114	1,563
Current assets			
Trade and other receivables	11	28,793	27,191
Cash and cash equivalents	16	6,387	8,065
Corporation tax		557	420
		35,737	35,676
Current liabilities			
Creditors: amounts falling due within one year	12	(10,618)	(10,921)
Corporation tax		-	-
		(10,618)	(10,921)
Net current assets		**25,119**	**24,755**
Creditors: amounts falling due after one year	13	(10,708)	(10,500)
Net assets		**15,525**	**15,818**
Capital and reserves			
Called up share capital	15	15,250	15,250
Profit and loss account		275	568
Shareholders' funds		**15,525**	**15,818**

The notes on pages 20 to 40 form part of these financial statements.

The financial statements of Tradition FInancial Services Limited, registered number 01046064 were approved and authorised for issue by the board of Directors on 1 June 2023 and were signed on its behalf on the 19 June by:

M Anderson
Director

Statement of changes in equity

For the year ended 31 December

	Share capital £'000	Retained earnings / (Accumulated losses) £'000	Total £'000
At 1 January 2021 (restated)	15,250	14,477	29,727
(Loss) for the year	-	(8,909)	(8,909)
Dividends paid		(5,000)	(5,000)
At 31 December 2021	**15,250**	**568**	**15,818**
At 1 January 2022	15,250	568	15,818
(Loss) for the year	-	(293)	(293)
Dividends paid		-	-
At 31 December 2022	**15,250**	**275**	**15,525**

During the year, the Company declared and paid no dividend (2021: £5m) to its immediate parent Tradition UK Holdings Limited.

The notes on pages 20 to 40 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Authorisation of financial statements

The financial statements of Tradition Financial Services Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 19 June 2023 and signed on behalf of the Board by M Anderson.

Tradition Financial Services Limited is a private limited company incorporated in the United Kingdom and registered and domiciled in England and Wales. The nature of its business is described in the Strategic Report.

2. Accounting policies

Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions;

- Comparatives for tangible and intangible fixed asset reconciliations;
- Cash flow statements;
- Key management compensation;
- Related party transactions between wholly owned group companies;
- Impairment of assets; and
- Financial Instruments: disclosures

The financial statements have been prepared under the historical cost convention, with the exception of derivative instruments, which are recorded at fair value, and in accordance with the Companies Act 2006 and FRS 101 'Reduced Disclosure Framework'.

Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the period up to 1 June 2024 and the financial statements have been prepared on this basis.

In reaching this conclusion, they have considered the current and forecast regulatory capital and liquidity positions, as well as budgets and financial models for a period covering 2023 and up to 1 June 2024. In addition, an assessment has been undertaken to determine any negative impact on the Company caused by the current Russian sanctions. The financial impact was deemed immaterial and the sanctions do not pose an issue to the Going Concern of the Company.

As of 31 December 2022 the company has retained earnings amounting to £275k (31 December 2021: retained earnings £568k. The Company has adequate liquidity to meet any obligations as and when they fall due. The company also has adequate support from its ultimate parent.

The Company's financial statements are presented in GBP and all values are rounded to the nearest one thousand pounds (£1k), except when otherwise stated.

Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' establishes a five-step model to account for revenue deriving from contracts with customers, where revenue is recognised as and when 'control' of the goods and services underlying a particular performance obligation is transferred to the customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The below streams of revenue are captured under IFRS 15;

Agency Transactions (name give up)

Derivatives broking is transacted on an arranging, execution and give up basis. Revenues earned on an agency basis are recognised on trade date (when the transaction is enforced between the counterparties) as there are no further services rendered to the clients once the deal is done. Revenue is recognised net of any fee rebates or discounts. Outstanding brokerage is reflected on the balance sheet as trade debtors, as the right to consideration is unconditional as no further performance obligations exist.

Fee rebates

Fee rebates may be received in respect of certain trading platforms. Such rebates are recognised on an accruals basis in line with the revenue from those platforms.

Data Sales

Revenues generated and costs incurred from the provision of electronic data to third parties is initially recognised in Tradition Management Services Limited on an accrual basis, and then transferred to the Company's books and records. The revenue continues to be recognised over the duration of the contract for the provision of these services. The Data Sales revenue is recorded in Other Income.

Disaggregation of revenue from contracts with customers

The Company derives revenue from Contracts with Customers as described below. The Derivatives Broking only covers a single product type; energy and environmental commodities, and the revenue is recognised net of any intercompany transfers of the same revenue type. The core customers of the Company are banks and financial institutions.

	2022 £'000	2021 £'000
Type of contract		
Agency transactions – Energy and environmental commodities	34,407	32,605
Provision of data	2,169	1,632
Total revenue from contracts with customers	36,576	34,237

Interest income and expenses

Interest income and expenses are recognised on an accruals basis, using effective interest rate method.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

Foreign currencies

The functional currency of the Company is GBP. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.
Monetary assets and liabilities expressed in foreign currencies are retranslated into sterling at the rates of exchange ruling on the first day of the month in which the transactions take place and are revalued at the year end. Gains and losses on foreign exchange are included in arriving at the profit or loss before taxation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Pensions

The Company operates a defined contribution scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Financial instruments

i) Financial assets

Initial recognition and measurement

The classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments (i) amortised cost, (ii) fair value through other comprehensive income ("FVOCI") and (iii) fair value through profit or loss ("FVTPL").

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the transaction date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables and derivative financial instruments.

Receivables are initially measured at their fair value. Other financial assets are initially measured at fair value; other financial assets not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition of the asset.

Subsequent measurement

All recognised financial assets are subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

The amortised cost of a financial asset is the amount at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Trade and other receivables are measured at amortised cost using the effective interest method minus impairment losses.

Financial assets at fair value through profit of loss

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income.

Other equity instruments are measured at fair value through profit or loss as are derivative financial instruments.

ii) Impairment of financial assets

Under IFRS 9, impairment of a financial asset measured at amortised cost is calculated using the expected credit loss (ECL) model. The ECL allowance is based on the credit losses expected to arise over the life of the asset and are calculated based on either;

- 12 month ECLs: where credit risk on the financial instrument has not increased significantly since initial recognition, loss allowance is measured at an amount from expected default events within 12 months; or
- Lifetime ECLs: where there has been a significant increase in credit risk since initial recognition these are ECLs that result from all expected default events over the expected life of a financial instrument.

Significant increases in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measuring ECL for all trade receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans has been assessed on an individual basis. The calculated ECL for other financial assets was immaterial and not recognised as at balance sheet date.

Forward looking macroeconomic scenarios and their probability weightings are used to derive the economic inputs in the ECL models. Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in the P&L.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified at fair value through profit and loss or amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised Initially at fair value; financial liabilities not measured at fair value through profit or loss are measured at fair value minus transaction costs directly attributable to the issue of that liability.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities at amortised cost

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

v) Derivative financial instruments

The Company uses derivative financial instruments such as forward currency to economically hedge its risks associated with foreign currency fluctuations.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Investments – non-current

The non-subsidiary investment is a London Golf Club debenture and is held at historical cost less any applicable provision for impairment.

Contingent Liabilities

A contingent liability is recognised when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or when a present obligation arises from past events but is not recognised as a provision because it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Impairment

The carrying values of the fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of an asset exceeds its recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and value in use. The value in use is determined by reference to estimated future discounted cash flows.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it may be involved in various litigation, arbitration, and regulatory investigations and proceedings arising in the ordinary course of business.
When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case.
Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

3. Turnover and segmental reporting

Turnover represents commissions receivable from the broking of energy options and swaps, and environmental products, net of any discount given and VAT, and is recognised as earned when 'control' of the goods and services underlying a particular performance obligation is transferred to the customer.

The Company has not disclosed segmental information as it is out of scope of IFRS 8 and is included within the consolidated financial statements of its parent undertaking, which are publicly available as referred to in note 17 to these financial statements.

4. Operating (loss) / profit

Operating (loss) / profit is stated after charging:

	2022 £'000	2021 £'000
(Gain)/ Loss on foreign exchange	(128)	186
Auditors' remuneration:		
Fees payable to the Company's auditor for;		
Audit of the company's accounts	131	90
Audit related assurance services	10	42
	141	132

5. Interest receivable

	2022 £'000	2021 £'000
Interest receivable on bank deposits	1	-
Interest receivable on balances due from group companies	25	25
	26	25

6. Interest payable

	2022 £'000	2021 £'000
Interest payable on bank settlement accounts	4	4
Interest payable on balances due to group companies	13	14
	17	18

7. Directors' remuneration

	2022 £'000	2021 £'000
Directors' remuneration	739	891
Pension contributions	1	1
	740	892

	2022 £'000	2021 £'000
Remuneration of the highest paid Director	552	743
Pension contribution of the highest paid Director	-	-
	552	743

Tradition Financial Services Limited

The Company continues to be related to a number of UK entities which comprises TFS Derivatives Limited, Tradition (UK) Limited, Tradition London Clearing Limited and Tradition Management Services Limited. These entities, along with the Company all have the same immediate parent and for the purposes of these financial statements they are described as the "Tradition UK group".

All of the Directors of the Company are remunerated by other Tradition UK group companies or Compagnie Financière Tradition SA group companies and particulars of their remuneration are included within the financial statements of those relevant companies. It is not possible to discern the remuneration received for services rendered in relation to the Company. For the Directors who are remunerated by Compagnie Financière Tradition SA, the full details of their remuneration can be found in the remuneration report section of the publicly available Compagnie Financière Tradition SA annual report. Where disclosure is not made in the Compagnie Financière Tradition SA annual report the estimated remuneration for services for the Company by the Directors is included in Directors' remuneration total above.

The number and total amount of loans to Directors, connected persons and officers outstanding as at 31 December 2022 were £nil (2021: £nil).

8. Staff costs

Employment costs are included within administrative expenses in the Statement of Comprehensive Income. Employment costs incurred by the Company (including Directors) during the year were as follows:

	2022 £'000	2021 £'000
Wages and salaries costs	17,142	18,167
National insurance contributions	2,780	2,824
Other pension, life assurance and staff benefits	252	250
	20,174	21,241

Average number of persons employed (including Directors):

	2022 No.	2021 No.
Dealing	44	42
Administration	18	20
	62	62

The Company makes contributions at variable rates to certain employees' pension plans. The pension cost charge represents contributions payable by the Company to the plans amounting to £83k (2021: £89k). The amount of outstanding pension contributions at the year-end is £nil (2021: £nil).

9. Taxation

	2022 £'000	2021 £'000
UK corporation tax charge / (credit)– current year	-	(536)
UK corporation tax charge – prior year	(102)	4
Total corporation tax	(102)	(532)
Deferred tax movement (see note 14)	449	(1,460)
Total tax (credit) / charge for the year	347	(1,992)

Reconciliation of the total tax (credit) / charge
The tax charge for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £'000	2021 £'000
Profit/(loss) before tax	54	(10,901)
At average rate of corporation tax of 19.0% (2021: 19.0%)	10	(2,071)
Expenses not allowable for tax purposes	167	170
Adjustment in prior year	(97)	4
Increase / (reduction) in the corporation tax rate	-	(18)
Group relief – Prior year losses	267	-
Transfer pricing adjustment	-	15
DTA on losses recognised at 23.5%	-	(92)
Total tax (credit) / charge reported in statement of comprehensive income	347	(1,992)

10. Investments – non-current

Subsidiary and non-subsidiary investments are as follows:

	2022 £'000	2021 £'000
Cost:		
At 1 January	42	42
Additions	-	-
Disposals	-	-
At 31 December	42	42

The non-subsidiary investment is a London Golf Club debenture and is £42k (2021: £42k).

11. Trade and other receivables

	2022 £'000	2021 £'000
Trade debtors	12,918	13,858
Other debtors	-	11
Foreign exchange forward contracts	140	51
Prepayments and accrued income	322	693
Amounts due from group undertakings	15,413	12,578
	28,793	27,191

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement including the estimation of the amount and timing of future cash flows. Loss allowances for financial assets measured at amortised cost are deducted from the gross amount of the assets and recognised in the P&L. See Note 22 for details of the loss allowances at the reporting date.

The amounts due from group undertakings include a loan with Tradition Management Services Limited, a fellow subsidiary undertaking of the ultimate parent company, Viel et Compagnie Finance SE. of £2,024k (2021: £2,024k) which is unsecured, repayable on demand and bears interest at 1.25% p.a. (2021: 1.25% p.a.).

12. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	40	55
Accruals and other creditors	5,017	4,469
Foreign exchange forward contracts	103	16
Other taxation and social security	512	518
Amounts due to group undertakings	4,946	5,863
	10,618	10,921

13. Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Provisions – legal	10,708	10,500
	10,708	10,500

In 2017, the Company was served with legal claims (against it and other financial institutions) by the liquidators of a number of liquidated companies, for alleged liability relating to a VAT carousel fraud in which the liquidated companies were implicated. The Company acted as an intermediary in the transmission of a limited number of orders relating to these transactions.

The liquidators are seeking damages because they believe that the Company failed to identify the offenses and therefore assisted the directors of these English companies in liquidation to breach their legal duties. The Company is vigorously defending itself on the basis that it did not provide such assistance to the directors of these companies and did not act in violation of its obligations. After a two-year postponement of the hearings due to the pandemic, the trial in respect of these proceedings took place in the first quarter of 2022. Following this trial, a provision for GBP10.5m was recorded for the year ended 31 December 2021. An appeal hearing took place during February 2023 and the appeal was rejected. Consequently, management booked an additional provision of £208k for the year ended 31 December 2022. The amount of provision is included under long-term provisions at 31 December 2022 due to the anticipated timing of the trial and appeal process.

14. Deferred tax asset

	2022 £'000	2021 £'000
Depreciation in excess of capital allowances	63	72
Tax losses carried forward	1,009	1,449
	1,072	1,521

	2022 £'000	2021 £'000
Asset at the start of the year	1,521	61
(Charge) / Credit for the year	(449)	1,442
Movement in corporation tax rate	-	18
Asset at the end of the year	1,072	1,521

The Company has unutilised capital losses arising of £1,940k (2021: £890k) that are available for offset against future capital gains. A deferred tax asset has not been recognised in respect of these capital losses due to uncertainty surrounding the Company's future expectation of chargeable capital gains.

On 3 March 2021 the UK government announced that the UK corporate rate will increase to 25% from 1 April 2023 and the relevant legislation was enacted on 24 May 2021. Deferred tax assets as at 31 December 2021 were measured at 19% and 23.5% representing the rates that they were expected to be applied against profits in 2022 and 2023. The deferred tax assets on the carry forward losses are measured at the rate at which they are expected to be utilised. As the losses carried forward as at 31 December 2022 are expected to be applied against 2023 profits they have been measured at 23.5%.

15. Called up share capital

	2022 £'000	2021 £'000
Authorised, allotted and fully paid:		
15,250,000 ordinary shares of £1 each	15,250	15,250

16. Cash and cash equivalents

Cash and cash equivalents comprise the following at 31 December:

	2022 £'000	2021 £'000
Cash at banks and on hand	6,387	8,065
Cash and cash equivalents	6,387	8,065

17. Parent undertaking

At the 2022 reporting date, the Company's immediate parent undertaking is Tradition UK Holdings Limited, which is an indirect subsidiary of Compagnie Financière Tradition SA, a company registered in Switzerland. Compagnie Financière Tradition SA has included the Company in its group financial statements, copies of which are publicly available from their offices at Rue de Langallerie 11, Lausanne 1003.

In the Directors' opinion, the Company's ultimate parent company and controlling party is Viel et Compagnie Finance SE, which is incorporated in France. Copies of its group accounts, which include the Company, are publicly available from their offices at 9, PL Vendôme, Paris 75001.

18. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business on an arm's length basis, with other related parties. Those transactions with Directors are disclosed in note 7. The Company has taken advantage of the exemption under paragraph 8 (K) not to disclose the amount of the related party transactions.

The trading balances outstanding at 31 December with other related parties are as follows:

Related party	Amounts owed by related party £000	Amounts owed to related party £000
Joint ventures		
2022	7	-
2021	44	43
Shareholder		
2022	3	-
2021	-	41
Associated companies		
2022	15,403	4,946
2021	12,534	5,779

Receivables from shareholder and associated companies and payables to shareholder and associated companies include all receivables and payables due to or by VIEL et Compagnie-Finance, Paris, the ultimate majority shareholder and subsidiaries of that company.

Terms & Conditions

Outstanding balances with related parties are unsecured, interest free and cash settled, with the exception of the interest-bearing loans referenced in Note 11.

The Company has not provided or benefited from any guarantees or commitments for any related party receivables or payables. During the year ended 31 December 2022, the Company has not made any allowance for expected credit losses relating to amounts owed by related parties (2021: £nil).

19. Analysis of financial assets and liabilities by measurement basis

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets and liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Total
	£'000	£'000	£'000
2022			
Assets			
Trade debtors	12,918	-	12,918
Cash at bank and in hand	6,387	-	6,387
FX forward contract	-	140	140
Other receivables	96		96
Amounts due from group undertakings	15,413	-	15,413
Total financial assets	34,814	140	34,954
Total non-financial assets			1,898
Total assets			36,852
Liabilities			
Trade creditors	40	-	40
Other creditors	5,529	-	5,529
Provisions	10,708	-	10,708
FX forward contract	-	103	103
Amounts due to group undertakings	4,946	-	4,946
Total financial liabilities	21,223	103	21,326
Total non-financial liabilities			-
Total liabilities			21,326
2021			
Assets			
Trade debtors	13,858	-	13,858
Cash at bank and in hand	8,065	-	8,065
FX forward contract	-	51	51
Other receivables	441		441
Amounts due from group undertakings	12,578	-	12,578
Total financial assets	34,942	51	34,993
Total non-financial assets			2,246
Total assets			37,239
Liabilities			
Trade creditors	55	-	55
Other creditors	4,987	-	4,987
Provisions	10,500	-	10,500
FX forward contract	-	16	16

Amounts due to group undertakings	5,863	-	5,863
Total financial liabilities	21,405	16	21,421
Total non-financial liabilities			-
Total liabilities			21,421

20. Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with foreign currency fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
The current year contracts recorded in assets mature within one month (£36k), between one and three months (£103k), and between three and six months (£1k) whereas the contracts recorded in liabilities mature between one and three months (£103k).

The fair value of the derivatives held at the balance sheet date, determined by reference to their market value is as follows:

	2022	2021
	£'000	£'000
Current financial assets		
Swap and forward foreign currency contracts	140	51
Current financial liabilities		
Swap and forward foreign currency contracts	103	16

21. Fair value of financial assets and liabilities

Swap and forward currency exchange contracts fair value was determined using quoted swap/forward exchange rates matching the maturities of the contracts.

There are no material differences between the carrying value and the fair value of financial assets and liabilities at amortised cost as at 31 December 2022 and 31 December 2021.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

As at 31 December, the Company held the following financial instruments measured at fair value through profit and loss (FVTPL):

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
2022				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward /swap contract	-	140	-	140
Liabilities measured at FVTPL				

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities at fair value through profit and loss				
FX forward /swap contract	-	103	-	103

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2021				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward /swap contract	-	51	-	51
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit and loss				
FX forward /swap contract	-	16	-	16

During the reporting period ending 31 December 2022, there were no transfers between Level 1 and Level 2 or Level 3 and Level 2.

22. Financial risk management policies and objectives

The Company has implemented a risk management governance structure based on the industry-standard three lines of defence that segregates risk management (first line of defence) from risk oversight (second line of defence) and risk assurance (third line of defence).

The Company is primarily exposed to the following risks:

- Operational risk;
- Credit risk;
- Market risk;
- Liquidity risk;
- Legal and reputational risk; and
- Conduct risk

Operational risk

The Company is exposed to operational risk losses in its day-to-day business from penalties, differences and errors in broking activities. Differences arise when transactions arranged by the Company between two counterparties are not completed at the original price. In such circumstances the Company may offer to compensate the counterparty for some or all of the difference between the original price and the transacted price. To manage this risk it is Company policy to complete transactions as quickly as possible at the next best available prices and all transactions should be completed by the end of each day. The Company is also exposed to the loss of key brokers, which historically it has experienced very rarely. In general, losses due to operational risk have been low in both volume and magnitude by ensuring that controls are adequate and effective to prevent future loss occurrence.

Credit risk

Credit and counterparty risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument does not fulfil its obligations. Credit default risk potentially impacts brokerage receivable.

The Company is an interdealer broker serving predominantly banks, financial institutions and major energy companies with high credit ratings. The broking business consists of facilitating contacts between two counterparties to a trade, and receiving a commission for services rendered.

The Company's exposure to credit risk is therefore limited to its own claims in connection with these activities. The quality of counterparties is evaluated locally and commission receivables are closely monitored. Where recovery, of all or part of amounts due is in doubt, a provision is set up so that the Statement of Financial Position fairly reflects current expected credit losses. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the reporting date. Oversight of the provision process is undertaken through the Credit Control Committee which also tracks the month to month credit and collections performance of its clients. The maximum credit risk exposure relating to financial assets is represented by the carrying value of financial assets as at the balance sheet date.

Loss allowance

The Company applies the IFRS 9 simplified approach to measuring ECL for all trade receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans to employees has been calculated under the general approach and the loans have been assessed on an individual basis. The calculated ECL for intercompany and other financial assets was immaterial and not recognised as at balance sheet date.

The closing loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2022 £'000	2021 £'000
Loss allowance on broking receivables		
As at 1 January	(327)	(36)
(Increase) / decrease in loss allowance in income statement during the year	(63)	(217)
Reclassification	-	(74)
At 31 December	(390)	(327)

There were no outstanding personal loan balances as at 31 December 2022. No loss allowances were provided.

Market risk

Foreign currency

The Company's revenues are predominantly in USD with smaller amounts in EUR and GBP whilst its cost base is predominantly in GBP. This exposes the Company to foreign currency risk where the settlement of transactions is made in a currency other than GBP.

The Company has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than GBP. It is Company policy to monitor foreign currency bank balances daily and, in order to minimise such risk, sells down surplus foreign currency balances on a regular basis. Moreover the risk management function, applies a hedging policy to proactively reduce foreign currency risk across the balance sheet.

The following table indicates the extent to which the Company was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the USD and EUR against GBP, with all other variables held constant, on the Statement of Comprehensive Income and equity.

	Movement in currency rates %	Effect on net profit £'000
2022		
Currency		
EUR	5%	(125)
USD	5%	(419)
EUR	(5%)	139
USD	(5%)	348
2021		
Currency		
EUR	5%	(97)
USD	5%	(419)
EUR	(5%)	107
USD	(5%)	463

Interest rate risk

The Company's exposure to interest rate risk in the banking book is very limited since it does not conduct classical banking activity. The Company's exposure to interest rate risk arises from the possibility that changes in interest rates will affect the interest income or the net value of equity.

The following table sets out the effect on the future net interest income of an incremental 100 basis points (bps) parallel rise or fall in interest rates at the reporting date. The sensitivity analysis excludes all non-derivatives fixed rate financial instruments carried at amortised cost.

	2022 £'000	2021 £'000
Interest bearing financial instruments		
Profit or (loss) 100 bps increase	64	81
Profit or (loss) 100 bps decrease	(64)	(81)

Liquidity risk

Liquidity Risk is the current or prospective risk arising from the inability to meet obligations as they fall due without incurring unacceptable losses. As the Company does not conduct Matched Principal business, the main type of liquidity risk that it is exposed to is balance sheet or working capital liquidity being the need to finance working capital requirements.

The Chief Financial Officer is responsible for the Company's liquidity management including the establishment and maintenance of systems and controls over the recording and disbursement of funds in accordance with Board approved bank mandates and the segregation of duties between the movement of funds and the recording thereof.

The following below summarises the maturity profile of the Company's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments.

Year ended 31 December 2022	On demand	Less than three months	Three to twelve months	Greater than 12 months	Total
	£,000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
Trade and other creditors	552	5,133	4,830	-	10,515
Provisions	-	-	-	10,708	10,708
	552	5,133	4,830	10,708	21,223
Derivative financial liabilities					
Foreign exchange forward contracts	-	103	-	-	103
Total	552	5,236	4,830	10,708	21,326

Year ended 31 December 2021	On demand	Less than three months	Three to twelve months	Greater than 12 months	Total
	£,000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
Trade and other creditors	653	4,570	5,682	-	10,905
Provisions	-	-	-	10,500	10,500
	653	4,570	5,682	10,500	21,405
Derivative financial liabilities					
Foreign exchange forward contracts	-	16	-	-	16
Total	653	4,586	5,682	10,500	21,421

Operational Liquidity

With respect to balance sheet liquidity; non-trading transactions do not generate significant liquidity risk exposures and are managed through regular cash flow forecasts. In order to maximise its liquidity position, the Company actively works to minimise the aged debtors which are formally monitored through the Credit Control Committee and reduce debtor days.

Market Liquidity

As an inter-dealer broker, the Company does not carry proprietary positions and the impact of market liquidity is therefore not considered material from a liquidity risk exposure perspective, except in the event of a counterparty failure which is covered as part of credit risk.

Pillar three of Basel II is related to market discipline and aims to make firms more transparent by requiring them to publish specific, prescribed details of their risks, capital and risk management under the Basel II framework. The Company's qualitative and quantitative pillar three disclosures are published on its website, www.tradition.com.

Legal and reputational risk

From time to time the Company may be engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

Conduct Risk

The FCA has outlined its approach to managing conduct risk. Conduct risk relates to the risk that detriment is caused to the Company, its customers, its counterparties or the market, as a result of inappropriate execution of business activities. The Company takes a holistic approach to assessing conduct risks in order to ensure that these are being managed in accordance with the FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition. The Company will assess key risks across the business, identifying key controls and ensuring that the Board is receiving the right information to enable it to challenge effectively the management of such risks by the business.

23. Capital management

The responsibility for the Company's capital planning lies with the Board of Directors (the "Board"). Any changes to capital are proposed to the Board and also require the approval of Compagnie Financière Tradition SA (refer to note 17).

Capital is generated internally from shareholder funds. Shareholder funds are in the form of share capital and retained earnings. In addition, the Company can increase its regulatory capital resources through finance obtained from its immediate parent company, Tradition UK Holdings Limited.

24. Events after the balance sheet date

The provision held in respect of the legal claims by the liquidators of a number of liquidated companies as disclosed in note 13 was increased in Q1 2023 when an appeal hearing held in February 2023 was rejected. As a result of the rejection, the interest costs incurred which relate to 2022 were added to the provision increasing it from £10,500k to £10,708k as at the 31 December 2022. The decision has been appealed again and the case is still on going.

25. Contingent Liabilities

Potential Litigation & Regulatory Censure

Like all businesses with employees, competitors and clients, from time-to-time the Company may become involved in disputes and/or litigation. The timing of cash outflows relating to these matters is inherently uncertain. The Company is currently not aware of any such processes that could give rise to financial implications other than those disclosed in note 13.

The Company operates in a complex regulatory environment with constant changes in rules and expectations in respect of governance, operational, and control standards. The business seeks to adhere to all regulatory rules and expectations and, through internal review, constantly examines the state of its compliance with the same. The Company or its advisors or its auditors from time-to-time identify areas where regulatory rules or expectations have not been met, or where improvements in governance, operational processes, or controls are recommended. The Company will in these cases liaise with the relevant regulatory authorities as appropriate. This may result in issues with financial implications, the impact of which cannot currently be estimated. However, the business is currently not aware of any issues that might have material financial implications. The directors of the Company have introduced various initiatives to address any governance, operational, and controls issues so identified in order to mitigate the risks of negative financial consequences for the business.

26. Country by country reporting

HM Treasury has adopted the requirements set out under the Capital Requirements Directive IV (CRD IV) and subsequently issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires the Company to publish certain additional information to that already contained within this Annual Report.

	As at Dec 2022	As at Dec 2021
Nature of activities	Inter-Dealer Broker	Inter-Dealer Broker
Geographical location	UK	UK
Currency	£'000's	£'000's
Turnover	34,407	32,605
Employees	62	62
Profit/ (Loss) before tax	54	(10,690)
Tax paid	-	-

Notes:

- The UK legal entities listed above are regulated by the Financial Conduct Authority (FCA) and subject to the requirement of CRD IV Article 89.
- *Tax paid represents actual corporation tax payments made by each entity during the financial year.* Corporation tax paid in any given year does not generally relate to the profits earned in the same 12 month period, as tax on profits is paid across multiple years, and taxable profits are calculated based on tax legislation and can differ from accounting profits.
- There were no public subsidies received in any Geographic Location in either year.