Tradition Financial Services Limited

Strategic report, Directors' report and statutory financial statements

31 December 2020
Registered no: 01046064

Contents

General information

Directors	M Abbott (Chairperson) M Anderson C Baillet C Bienstock F Brisebois H de Carmoy M Leibowitz D Marcus S Vjestica A Wink W Wostyn
Secretary	M Lau
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 Stephenson Harwood LLP 1 Finsbury Circus London EC2M 75H
Bankers	NatWest 120 – 122 Fenchurch Street London EC3M 5AN

Strategic report

The Directors present their strategic report for the year ended 31 December 2020 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.

Results and dividends

The Company recognised a profit for the year after taxation of £2,287k (2019: £4,239k) as shown in the Statement of Comprehensive Income on page 16. The directors do not recommend paying a final dividend (2019; £nil).

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.

The Company has key regulatory indicators including regulatory capital, which is monitored on an on-going basis. The Company's other key financial indicators are turnover and operating profit. Turnover decreased by 20% from £51,543k to £41,439k and operating profit for the year decreased to £1,438k (2019: £3,941k), reflecting the fall in turnover.

The Company also recognised other income relating to the provision of electronic data to third parties (data sales) of £1,465k (2019: £1,678k) and net interest payable of £13k (2019: £104k). The resulting profit for the year after taxation was £2,287k (2019: £4,239k).

During 2019 the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 15,000,000 ordinary shares of £1 each to Tradition Financial Services SA (its parent entity at that time) in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection increased the share capital of the Company from £250k to £15,250k.

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.

Corporate Restructure

On 31 December 2019 the Company disposed of its investments in TFS-ICAP Holdings Limited, TFS Derivatives Limited, Tradition Futures Proprietary Limited and TFS Securities (Pty) Limited. The Company's remaining investment in subsidiary TFS Israel (Brokers) Limited was disposed of on 1 January 2020. All disposals were at book value and made to other subsidiaries of the Compagnie Financière Tradition (CFT) group.

As part of the same corporate restructure, Tradition Service Holding S.A. transferred its ownership in the Company to Tradition UK Holdings Limited, a newly created holding company incorporated in the United Kingdom. There was no change to the overall share capital of the Company as a result of the transaction and at reporting date, the Company's immediate parent is Tradition UK Holdings 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.

Subsequent to the corporate restructure, these entities, along with the Company have the same immediate parent and for the purposes of these financial statements they are described as the "Tradition UK group".

Principal risks and uncertainties

In 2018, 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. No estimate of the financial impact has been disclosed as it can be expected to prejudice seriously the position of the Company in the dispute with other parties.

The Company is pursuing a robust defence and following discussion with its legal advisers, the Board believes that the claim is unlikely to succeed. As a result, a contingent liability has been recognised as shown in Note 19.

Other risks - 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. There continue to be discussions regarding trade and financial services between the two parties, and the regulatory landscape continues to evolve.

Tradition UK Holdings and its subsidiaries, including the Company, have implemented plans to ensure continued compliance with EU regulation where necessary. These plans include the establishment of a new subsidiary in Spain, and the secondment and movement of staff to branches of EU companies within the CFT Group.

The implementation of the various plans occurred during January and February of 2021 and therefore do not impact the balance sheet as at 31 December 2020.

Where staff (and therefore costs and revenues) have moved or will move from the Company, the Directors have modelled the impact on profitability and have concluded that there is no impact on going concern, including in a downside scenario.

The Board continues to actively monitor the situation.

Other risks - Coronavirus disease 2019 ("COVID-19")

The COVID-19 pandemic has resulted in significant volatility in financial markets as well as disruptions to people's lives as a result of prevent measures at a national and global level. The Company saw increases in brokerage volumes in the early stages of the pandemic, however these then decreased in the second half of the financial year, leading to a reduction of activity levels in most market segments. Globally, the pandemic has led to the worst recession in peace time.

The Company has managed its response to COVID-19 which included the successful provision of significant remote working capabilities supported by IT, to enable front and back office personnel to work away from the Company's offices whilst still maintaining appropriate controls and risk processes over their activities. There has not been any material disruption to operations as a result. Encouragingly, the UK's vaccination efforts appear to herald a possible end to social distancing measures, and brokerage levels have trended back to more normal historic levels.

The Board have considered the potential future impact of a further period of reduced activity on the performance and position of the Company including undertaking financial modelling of a potential downside scenario arising from reduced revenues due to depressed market activities. This shows that the Company would still be able to withstand a downturn in revenues whilst remaining able to meet its liabilities as they fall due and regulatory capital requirements for the foreseeable future and as a result the Board currently has no reason to believe that this will affect the going concern status of the Company. Senior management of the Company are in receipt of frequent management information including daily revenue which enables them to assess the matter as it develops.

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, which is summarised as follows:

A director of a company must act 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.

Each Director gave careful consideration to the factors set out above in discharging their duty under section 172.

The following Section 172(1) statement is made on behalf of the Company in compliance with the Act.

Consequence of any long-term decisions
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 a full understanding of all its risks and put in place a robust risk management and governance system which continually evolves. The Directors fulfil their duties partly though a governance framework that delegates day-to-day decision-making to senior management.

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 measures 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, ICAAP 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. We have a "grow from within" approach to the development of our 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 works hard to ensure that its suppliers feel fairly treated and relationships with them are actively managed. The aim is to have long-term 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 why superior execution and superb customer service is central. The Company is always looking for new ways to strengthen customer offerings and is constantly engaging with customers and senior management from our customers' firms as we seek to build even 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 proactively engages 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. It wants to leverage its expertise and enable colleagues to support the communities around it.

Business Conduct

The Company seeks to operate with high ethical standards by conducting business activities in compliance with applicable legal and regulatory requirements and with internal policies governing behaviour and conduct. The Company undertakes and ongoing review of how evolving legislation, guidelines and best practices should be best reflected.

As part of this effort, all employees are mandated to complete various governance training seminars with recorded tests. These cover a range of recurring and bespoke topics such as anti-bribery and corruption (ABC) and market abuse.
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, liquidity risk, conduct risk, legal and reputational risk (see note 23: 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.

By order of the Board

M Anderson
Director
23 April 2021

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2020.

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	(appointed 24 August 2020)
F Brisebois	
H de Carmoy	
M Leibowitz	
D Marcus	(resigned 22 May 2020)
C Rutt	(appointed 26 May 2020)
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.

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 30 April 2022. 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 2021 and up to 30 April 2022.

In addition, these financial models were subject to a downwards stress scenario replicating the negative effect of COVID on the 2020 results. Whilst the impact of a repeat of COVID impacts led to the Company becoming loss making, this modelled loss was small and as such in no way impacted its ability to meet its regulatory capital or liquidity requirements or otherwise threaten its viability.

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 23, 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 21: Derivative Financial Instruments). The current year contracts recorded in assets mature within one month (£57k) and between one and three months (£116k) whereas the contracts recorded in liabilities mature between one and three months (£5k).

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.

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.

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.

By order of the Board
M Anderson
Director
23 April 2021

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 12 - 15, 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 auditors' report to the members of Tradition Financial Services Limited

Opinion

We have audited the financial statements of Tradition Financial Services Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27, 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 "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 2020 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 assessment;
- Performed independent sensitivity analysis on the stressed scenarios applied by the directors; and
- Performed additional reverse stress testing.

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 until 30 April 2022.

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 with 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 there is 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 11, 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.

Our approach was as follows:

- 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, the requirements of the Financial Conduct Authority, and EU Directives and Regulations incorporated into UK law under the Withdrawal Act.
- 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 and Board Audit and Risk Committee 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. We also considered performance and incentive plan targets and their potential to influence management to manage earnings.
- 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 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.

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

Kenneth Eglinton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
04 May 2021

Statement of comprehensive income

For the year ended 31 December

	Notes	2020 £'000	Restated 2019 £'000
Revenue		5,314	12,359
Intra group revenue transfer		36,125	39,184
Turnover	3	**41,439**	**51,543**
Administrative expenses		(40,001)	(47,602)
Operating profit	4	**1,438**	**3,941**
Other income		1,465	1,678
Profit before interest and tax		**2,903**	**5,619**
Interest receivable	5	25	55
Interest payable	6	(38)	(159)
Profit on ordinary activities before taxation		**2,890**	**5,515**
Tax on profit on ordinary activities	9	(603)	(1,276)
Profit for the year		**2,287**	**4,239**

Prior year restatement of revenue and tax on profit on ordinary activities relates to timing adjustment of fee rebates resulting in an increase in prior year profit after tax of £49k from £4,190k to £4,239k. See note 25: Restatement of prior year balances.

The notes on pages 19 to 42 form part of these financial statements.

Balance sheet

As at 31 December

	Notes	2020 £'000	Restated 2019 £'000
Fixed assets			
Investments – non current	10	42	410
Current assets			
Trade and other receivables	11	28,592	26,275
Deferred tax	13	61	62
Cash and cash equivalents	15	16,824	17,128
		45,477	43,465
Current liabilities			
Creditors: amounts falling due within one year	12	(16,116)	(16,256)
Corporation tax		(24)	(527)
		(16,140)	(16,783)
Net current assets		**29,337**	**26,682**
Total assets less current liabilities		**29,379**	**27,092**
Capital and reserves			
Called up share capital	14	15,250	15,250
Profit and loss account		14,129	11,842
Shareholders' funds		**29,379**	**27,092**

Prior year restatement of Current assets: Trade and other receivables, Current liabilities: Corporation tax and Profit and loss account, relates to timing adjustment of fee rebates. See note 25: Restatement of prior year balances.

The notes on pages 19 to 42 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 23 April 2021 and were signed on its behalf by:

M Anderson
Director

Statement of changes in equity

For the year ended 31 December

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2019 (restated)	250	31,303	31,553
Share capital injection	15,000	-	15,000
Dividends paid	-	(23,700)	(23,700)
Correction for prior period	-	49	49
Profit previously reported for the year	-	4,190	4,190
At 31 December 2019 (restated)	**15,250**	**11,842**	**27,092**
At 1 January 2020	15,250	11,842	27,092
Profit for the year	-	2,287	2,287
At 31 December 2020	**15,250**	**14,129**	**29,379**

Correction for prior period of £49k relates to timing adjustment to fee rebates and the associated tax effect on the company's profit after tax. Prior year restatement of opening retained earnings of £155k (from £31,148k to £31,303k) relates to the pre-2019 components of the timing adjustment to the fee rebates. See note 25: Restatement of prior year balances for further information on the prior year restatements.

In February 2019 the Company issued 15,000,000 ordinary shares of £1 each to Tradition Service Holding S.A. The capital injection has increased the share capital of the Company from £250k to £15,250k.

On 31 December 2019 Tradition Service Holding S.A. transferred its ownership in the Company to Tradition UK Holdings Limited, a newly created holding company. There was no change to the overall share capital of the Company as a result of the transaction.

The notes on pages 19 to 42 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1. Authorisation of financial statements

The financial statements of Tradition Financial Services Limited for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 23 April 2021 and signed on behalf of the Board by M Anderson. The Directors have the power to amend and reissue the financial statements. Tradition Financial Services Limited is a private limited company incorporated in the United Kingdom and registered and domiciled in England and Wales.

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; and
- Impairment of assets.

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 30 April 2022 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 2021 and up to 30 April 2022. In addition, these financial models were subject to a downwards stress scenario replicating the negative effect of COVID on the 2020 results. Whilst the impact of a repeat of COVID impacts led to the Company becoming loss making, this modelled loss was small and as such in no way impacted its ability to meet its regulatory capital or liquidity requirements or otherwise threaten its viability.

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.

	2020	Restated 2019
	£'000	£'000
Type of contract		
Agency transactions – Energy and environmental commodities	41,439	51,543
Provision of data	1,465	1,678
Total revenue from contracts with customers	42,904	53,221

Interest income and expenses

Interest income and expenses are recognised on an accruals basis.

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.

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

IFRS 9 'Financial Instruments' was adopted with effect from 1 January 2018 and entailed a change in the way financial instruments are presented on the balance sheet, but has no impact on measurement.

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"). Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

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 transaction price if they do not contain a significant financial component. Other financial assets are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at fair value; financial assets not measured at fair value through profit or loss are 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 other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 except if the derivative instrument is designated as a hedging instrument.

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 equal to 12-month ECL; 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 broking receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans has been calculated under the general approach and the loans have 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 hedge its risks associated with foreign currency fluctuations. Hedge accounting is not used by the Company.

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.

Transferred receivables

In 2018 the Company had a factoring arrangement in place with TFS Derivatives Limited (a wholly owned subsidiary). Under this arrangement, the Company purchased the equity trade receivables from TFS Derivatives Limited that were older than one month at reporting date. The trade receivables

were transferred without right to recourse for an amount equivalent to 99% of the outstanding principal balance. Thus, in 2018 the Company bore the credit risk on these transferred assets.
The purchase price of the transferred assets has been offset against an intercompany loan with the same counterparty.
In 2019 both parties agreed to mutually terminate the agreement and any equity trade receivables that were previously purchased by the Company and remained uncollected at 31 October 2019 were transferred back to the TFS Derivatives Limited at an amount equivalent to the original purchase together with the expected credit loss on these assets.

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.

As part of the corporate restructure described in the Strategic Report, a number of investments were disposed on 31 December 2019 and January 2020. The Company does not hold any investments in subsidiaries at 31 December 2020.

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.

Share-based payments

Share options in the Company's parent undertaking Compagnie Financière Tradition SA, a company registered in Switzerland, are granted to eligible employees of the Group entitling them to receive shares at the end of the vesting period. These options are denominated in Swiss francs (CHF) and held on the balance sheet of Compagnie Financière Tradition SA. The granting of options and conditions for employee participation are defined by the Board of Directors of Compagnie Financière Tradition SA. When options are exercised, new shares are created in Compagnie Financière Tradition SA using conditional capital.

The fair value of options granted is charged to the Company by Compagnie Financière Tradition SA and recognised as a personnel expense with a corresponding increase in equity shown in Compagnie Financière Tradition SA (see note 16). Fair value is determined at the grant date and amortised over the vesting period. It is determined by an independent expert using the binomial option pricing model and takes account of the general vesting characteristics and conditions prevailing at that date.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

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 profit

This is stated after charging:

	2020 £'000	2019 £'000
Loss on foreign exchange	14	551
Auditors' remuneration:		
Fees payable to the Company's auditor for;		
Audit of the company's accounts	86	82
Audit of the parent's accounts	30	26
Audit related assurance services	9	8

5. Interest receivable

	2019 £'000	2019 £'000
Interest receivable on bank deposits	-	3
Interest receivable on balances due from group companies	25	52
	25	55

6. Interest payable

	2020 £'000	2019 £'000
Interest payable on bank settlement accounts	4	8
Interest payable on balances due to group companies	34	151
	38	159

7. Directors' remuneration

	2020 £'000	2019 £'000
Directors' remuneration	1,381	1,237
Pension contributions	1	1
	1,382	1,238

	2020 £'000	2019 £'000
Remuneration of the highest paid Director	1,002	685
Pension contribution of the highest paid Director	1	1
	1,003	686

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. Subsequent to the corporate restructure, 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. 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 2020 were £nil (2019: £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:

	2020 £'000	2019 £'000
Wages and salaries costs	18,797	25,601
National insurance contributions	2,928	3,592
Other pension, life assurance and staff benefits	257	366
	21,982	29,559

Average number of persons employed (including Directors):

	2020 No.	2019 No.
Dealing	41	52
Administration	25	27
	66	79

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 £100k (2019: £116k). The amount of outstanding pension contributions at the year-end is £nil (2019: £nil).

9. Taxation

	2020 £'000	Restated 2019 £'000
UK corporation tax charge – current year	598	1,209
UK corporation tax charge – prior year	4	30
Overseas tax	-	2
Total corporation tax	602	1,241
Deferred tax movement (see note 13)	1	35
Total tax charge for the year	603	1,276

Reconciliation of the total tax charge

The tax charge for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £'000	Restated 2019 £'000
Profit before tax	2,890	5,515
At average rate of corporation tax of 19.0% (2019: 19.0%)	549	1,048
Expenses not allowable for tax purposes	92	239
Adjustment in prior year	4	30
Overseas tax	-	2
Increase / (reduction) in the corporation tax rate	(7)	(4)
Transfer pricing adjustment	(35)	(39)
Double tax relief	-	-
Total tax charge reported in the statement of comprehensive income	603	1,276

10. Investments – non-current

Subsidiary and non-subsidiary investments are as follows:

	2020 £'000	2019 £'000
Cost:		
At 1 January	410	1,687
Additions	-	-
Disposals	(368)	(1,277)
At 31 December	42	410

The non- subsidiary investment is a London Golf Club debenture and is £42k (2019: £42k).

The remaining investment in subsidiary at 31 December 2019 was TFS Israel (Brokers) Limited valued at a book value of £368k. The investment was disposed of at book value on 1 January 2020. As part of the corporate restructure described in the Strategic Report, a number of investments in subsidiaries were disposed of on 31 December 2019. The disposals were made at book value and were transferred to other subsidiaries of the Compagnie Financière Tradition group.

The table below details the investments in subsidiaries at the 2020 and 2019 reporting dates:

Subsidiary	Country of incorporation	Type of shares held	Proportion of voting rights held	Nature of business	2020 £'000	2019 £'000
Investments – non current						
TFS Israel (Brokers) Ltd (Discount Tower, 30th Floor, 23 Yehuda Halevi Street, Tel Aviv 65136, Israel)	Israel	Ordinary	80.00%	Broking	-	368

11. Trade and other receivables

	2020 £'000	Restated 2019 £'000
Trade debtors	13,559	13,439
Other debtors	568	586
Foreign exchange forward contracts	174	210
Prepayments and accrued income	845	1,420
Amounts due from group undertakings	13,446	10,620
	28,592	26,275

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 (2019: £2,024k) which is unsecured, repayable on demand and bears interest at 1.25% p.a. (2019: 1.25% p.a.).

The amounts due from group undertakings no longer includes a loan with TFS Derivatives Limited, a fellow subsidiary undertaking of the Tradition UK group of £3,000k. The loan was unsecured, with interest of 2% and had no fixed date for payment, before it was repaid in 2019.

12. Creditors: amounts falling due within one year

	2020 £'000	Restated 2019 £'000
Trade creditors	218	44
Accruals and other creditors	4,887	5,765
Foreign exchange forward contracts	5	39
Other taxation and social security	690	517
Amounts due to group undertakings	10,316	9,891
	16,116	16,256

13. Deferred tax asset

	2020 £'000	2019 £'000
Depreciation in excess of capital allowances	61	62
Other short term temporary differences	-	-
	61	62

	2020 £'000	2019 £'000
Asset at the start of the year	62	97
(Charge) / Credit for the year	(8)	(39)
Movement in corporation tax rate	7	4
Asset at the end of the year	61	62

The Company has unutilised capital losses arising of £890k (2019: £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.

Deferred tax assets in 2019 were measured at 17.00% representing the rate that was substantively enacted at that reporting date. On 11 March 2020 the UK Government announced that the UK corporate tax rate will remain at 19% from 1 April 2020. The deferred tax asset was re-measured in the year at 19% which resulted in an increase in the asset of £7k. On 3 March 2021 the UK government announced that the UK corporate rate will increase to 25% from 1 April 2023. As is required, the deferred tax asset will be re-measured once this has been substantively enacted which will represent the actual rate at which the deferred tax balances are expected to unwind.

14. Called up share capital

	2020 £'000	2019 £'000
Authorised, allotted and fully paid:		
15,250,000 ordinary shares of £1 each	15,250	15,250

The Company removed the restriction on authorised share capital following a written resolution passed by the Directors on 12th February 2019. The Company subsequently issued a further 15,000,000 ordinary shares of £1 each to Tradition Financial Services SA (its parent entity at the time) in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection increased the share capital of the Company from £250k to £15,250k.

15. Cash and cash equivalents

Cash and cash equivalents comprise the following at 31 December:

	2020 £'000	2019 £'000
Cash at banks and on hand	16,824	17,128
Cash and cash equivalents	16,824	17,128

16. Share-based payments

The cost of share-based payments in 2020 amounted to £nil (2019: £nil).

An analysis of the number and weighted average exercise price of employee share options is shown below:

	2020 Weighted average exercise price (CHF)	2020 Number of options	2019 Weighted average exercise price (CHF)	2019 Number of options
Outstanding at the beginning of the year	-	-	2.50	50,000
Granted	-	-	-	-
Exercised	-	-	-	-
Transferred	-	-	2.50	50,000
Lapsed	-	-	-	-
Cancelled	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

On the 1 January 2019, the share options held by a Company Director that remained outstanding at the end of the year were transferred to Tradition Management Services Limited a fellow subsidiary undertaking of the Tradition UK group.

17. Parent undertaking

On 31 December 2019 Tradition Financial Services SA transferred its ownership in the Company to Tradition UK Holdings Limited, a newly formed holding company. At the 2020 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.

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.

18. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, 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		
2020	6	45
2019	336	23
Shareholder and associated companies		
2020	13,440	10,271
2019	10,284	9,868

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 2020, the Company has not made any allowance for expected credit losses relating to amounts owed by related parties (2019: £nil).

19. Contingent liabilities

In 2018, 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. No estimate of the financial impact has been disclosed as it can be expected to prejudice seriously the position of the Company in the dispute with other parties.

The Company is pursuing a robust defence and following discussion with its legal advisers, the Board believes that the claim is unlikely to succeed. As a result, a contingent liability has been recognised.

20. 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
2020			
Assets			
Trade debtors	13,559	-	13,559
Cash at bank and in hand	16,824	-	16,824
FX forward contract	-	174	174
Other receivables	841	-	841
Amounts due from group undertakings	13,446	-	13,446
Total financial assets	44,670	174	44,844
Total non-financial assets			675
Total assets			45,519
Liabilities			
Trade creditors	218	-	218**Error! Reference source not found.**
Other creditors and taxation	-	-	-
FX forward contract	-	5	5
Amounts due to group undertakings	10,316	-	10,316
Total financial liabilities	10,534	5	10,539
Total non-financial liabilities			5,601
Total liabilities			16,140
2019 (Restated)			
Assets			
Trade debtors	13,439	-	13,439
Cash at bank and in hand	17,128	-	17,128
FX forward contract	-	210	210
Other receivables	1,064	-	1,064
Amounts due from group undertakings	10,620	-	10,620
Total financial assets	42,251	210	42,461
Total non-financial assets			1,414
Total assets			43,875
Liabilities			
Trade creditors	44	-	44
Other creditors and taxation	6,809	-	6,809
FX forward contract	-	39	39
Amounts due to group undertakings	9,891	-	9,891
Total financial liabilities	16,744	39	16,783
Total liabilities			16,783

21. Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to 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 swap and forward contracts are recorded at fair value. The current year contracts recorded in assets mature within one month (£57k) and between one and three months (£116k) whereas the contracts recorded in liabilities mature between one and three months (£5k).
The fair value of the derivatives held at the balance sheet date, determined by reference to their market value is as follows:

	2020 £'000	2019 £'000
Current financial assets		
Swap and Forward foreign currency contracts	174	210
Current financial liabilities		
Swap and Forward foreign currency contracts	5	39

22. Fair value of financial assets and liabilities

Forward currency exchange contracts fair value was determined using quoted 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 2020 and 31 December 2019.

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 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2020				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward contract	-	174	-	174
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit and loss				
FX forward contract	-	5	-	5

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2019				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward contract	-	210	-	210
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit and loss				
FX forward contract	-	39	-	39

During the reporting period ending 31 December 2020, there were no transfers between Level 1 and Level 2 or Level 3 and Level 2.

23. 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;
- Interest rate 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 broking receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans has been calculated under the general approach and the loans have been assessed on an individual basis. The calculated ECL for other financial assets was immaterial and not recognised as at balance sheet date.

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

	2020 £'000	2019 £'000
Loss allowance on broking receivables		
As at 1 January	(57)	(198)
Decrease / (increase) in loss allowance in income statement during the year	21	(18)
Unused amount reversed	-	-
Write-offs	-	159
At 31 December	(36)	(57)

The closing loss allowances for personal loans as at 31 December reconcile to the opening loss allowances as follows:

	2020 £'000	2019 £'000
Loss allowance on personal loans		
As at 1 January	-	(26)
Increase in expected credit losses	(212)	(26)
Unused amount reversed	-	52
Write-offs	-	-
At 31 December	(212)	-

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 2020 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	Effect on Equity £'000
2020			
Currency			
EUR	5%	(109)	-
USD	5%	(435)	-
EUR	(5%)	121	-
USD	(5%)	481	-
2019			
Currency			
EUR	5%	(117)	-
USD	5%	(473)	-
EUR	(5%)	129	-
USD	(5%)	523	-

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.

	2020 £'000	2019 £'000
Interest bearing financial instruments		
Profit or (loss) 100 bps increase	168	171
Profit or (loss) 100 bps decrease	(168)	(171)

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 table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments.

Year ended 31 December 2020	On demand	Less than three months	Three to twelve months	Total
	£,000	£'000	£'000	£'000
Non-derivative financial liabilities				
Trade and other creditors	6,273	55	4,206	10,534
Derivative financial liabilities				
Foreign exchange forward contracts	-	5	-	5
Total	6,273	60	4,206	10,539

Year ended 31 December 2019 (restated)	On demand	Less than three months	Three to twelve months	Total
	£,000	£'000	£'000	£'000
Non-derivative financial liabilities				
Trade and other creditors	2,459	6,317	7,967	16,743
Derivative financial liabilities				
Foreign exchange forward contracts	-	-	39	39
Total	2,459	6,317	8,006	16,782

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.

24. 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.

The Company removed the restriction on authorised share capital following a written resolution passed by the Directors on 12th February 2019. The Company subsequently issued a further 15,000,000 ordinary shares of £1 each to Tradition Financial Services SA (its parent entity at that time) in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection increased the share capital of the Company from £250k to £15,250k.

25. Restatement of prior year balances

The Company has identified historic cut off differences in respect of certain platform fee rebates, resulting in revenue being recognised in the wrong financial year.

To reflect the correct timing of revenue recognition between financial years, the prior year comparatives in these financial statements have been restated as follows:

- Increase in opening retained earnings of £155k comprising of increase in revenue recognised prior to 1 January 2019 of £155k;
- Increase in trade and other receivables – accrued fee rebates £252k; and
- Increase in the profit for the year of £49k, comprising of an increase in revenue of £97k (which is the net amount of the £155k revenue previously recognised relating to periods prior to 2019 and the additional £252k of revenue that should have been accrued in 2019) less a tax impact

Statement	Classification	2019 Signed £'000	PY Adj £'000	2019 Restated £'000
Balance Sheet	Current assets: Trade and other receivables	26,023	252	26,275
Balance Sheet	Current liabilities: Corporation tax	(479)	(48)	(527)
Statement of Comprehensive Income	Revenue	12,262	97	12,359
Statement of Comprehensive Income	Tax on profit on ordinary activities	(1,228)	(48)	(1,276)
Statement of Comprehensive Income	Profit after tax	4,190	49	4,239
Statement of Changes in Equity	Retained Earnings – 1 January 2019	(31,148)	(155)	(31,303)
Statement of Changes in Equity	Profit for the year - 2019	(4,190)	(49)	(4,239)

26. Events after the balance sheet date

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. There continue to be discussions regarding trade and financial services between the two parties, and the regulatory landscape continues to evolve. Tradition UK Holdings and its subsidiaries, including the Company, have implemented plans to ensure continued compliance with EU regulation where necessary.
These plans include the establishment of a new subsidiary in Spain and the secondment and movement of staff to branches of EU companies within the CFT Group.

Where staff (and therefore costs and revenues) have moved or will move from the Company, the Directors have modelled the impact on profitability and have concluded that there is no impact on going concern, including in a downside scenario.

27. 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 that Tradition London Group publish certain additional information to that already contained within this Annual Report, on a consolidated basis.

For Regulatory Consolidation, the below entities form part of the Tradition Financial Services Limited Consolidated Group.

Entity	Tradition Financial Services Limited	**Total As at Dec 2020**
Nature of Activities	Inter-Dealer Broker	**Inter-Dealer Broker**
Geographical Location	UK	**Consolidated**
£'000's		
Turnover	41,439	**41,439**
Employees	66	**66**
Profit / (Loss) before Tax	2,890	**2,890**
Tax Paid	(85)	**(85)**

Entity	Restated Tradition Financial Services Limited	TFS Israel (Brokers) Limited	**Restated Total As at Dec 2019**
Nature of Activities	Inter-Dealer Broker	Inter-Dealer Broker	**Inter-Dealer Broker**
Geographical Location	UK	Israel	**Consolidated**
£'000's			
Turnover	51,543	4,559	**56,102**
Employees	79	11	**90**
Profit / (Loss) before Tax	5,515	568	**6,083**
Tax Paid	(1,769)	(230)	**(1,999)**

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.
- TFS Israel (Brokers) Ltd was a subsidiary of Tradition Financial Services Ltd based in Israel and was included in the sub group for FCA regulatory reporting at 31 Dec 2019.
- 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.