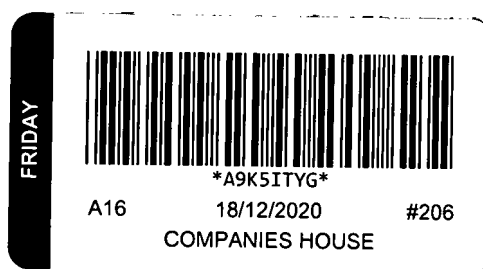


Tradition Management Services Limited

Strategic report, Directors' report and statutory financial statements

31 December 2019

Registered no: 07138488



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General information

Directors	M Abbott M Anderson C Baillet F Brisebois C Bienstock T De Saint Ouen M Leibowitz (Chairperson) C Rutt 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
Bankers	NatWest 120 – 122 Fenchurch Street London EC3M 5AN

Strategic report

The Directors present their strategic report for the year ended 31 December 2019 for Tradition Management Services ("the Company"). The Company is a private limited company incorporated and registered in England and Wales.

Principal activities and review of the business

The Company is related to a number of UK entities which comprises Tradition (UK) Limited, Tradition Financial Services Limited, TFS Derivatives Limited, ParFX (UK) Limited and Tradition London Clearing Limited. Whilst these entities do not all have the same immediate parent, for the purposes of these financial statements they are described as the "Tradition UK group".

The principal activity of the Company is the provision of management services to the Tradition UK Group. Accordingly, the Company incurs the operating costs of the back office and other front office support areas, owns the intangible and tangible fixed assets, and recharges support and maintenance costs to the Tradition UK Group entities at a mark-up.

The Company also manages the intercompany balances with overseas offices and recognises any resulting exposure from balances denominated in currencies other than GBP; to the extent these are not hedged. It also administers all target performance bonus loans and sign-on's associated with new employment contracts on behalf of the other Tradition UK Group companies.

The Company's key financial indicators are turnover and operating profit. Turnover increased to £40,384k (2018: £40,012k), an increase of 0.9%. Administrative expenses increased by 0.5% to £39,388k (2018: £39,173k) resulting in an operating profit of £996k (2018: £839k). The company aims to recover its costs from its customers, which are allocated to them on a basis consistent with prior years.

The Company also incurred net interest payable lease liabilities and on loans with Tradition UK Group entities of £309k (2018: £150k). The resulting profit for the year after taxation was £371k (2018: profit of £296k), after allowing for an IFRS 16 transitional adjustment of £764k the closing shareholders' funds were £2,029k (2018: £894k).

Current Assets of £29,551k have decreased by £3,433k (or 10%) year on year driven predominantly by a decrease in debtors of £823k and a decrease in cash at the bank and in hand of £2,300k. Creditors: amounts falling due within one year increased by £2,758k or 9% year on year from £30,250k to £33,008k. This increase is predominantly driven by an increase in Amounts due to group undertakings of £3,120k.

Dividends

During the year, the directors declared and paid interim dividends of £nil (2018: £nil).

Corporate Restructure

As part of a corporate restructure on 31 December 2019 the shareholding of the Company was transferred from Tradition Service Holdings SA, a company registered in Switzerland to Tradition UK Holdings Limited, a newly created holding company incorporated in the UK. There was no change to the share capital of the Company as a result of the transaction. At the 2019 reporting date, the Company's immediate parent is Tradition UK Holdings Limited.

Principal risks and uncertainties

Brexit

The United Kingdom left the European Union on 31 January 2020 and is now in a transitional period until 31 December 2020. At present it is unclear what the consequences of this will be, for example, the ability to service clients in the EU27 from the United Kingdom. The Tradition UK Group has put into action contingency plans to aim to ensure as far as is possible continuity of service to clients. Significant uncertainty still exists around what Brexit will actually mean for the UK financial market; however a number of work streams have been initiated to prepare for a range of outcomes which may include the need to transfer staff and certain operations within the EU27. The Board continues to actively monitor the situation.

Coronavirus disease 2019 ("COVID-19")

The COVID-19 pandemic is resulting 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. Currently, the Tradition UK Group have seen increases in brokerage volumes and therefore revenue as a result of activity in markets. It is unclear as to whether this will continue, whether markets will stabilise, or whether there will be a future period of reduced activity (caused by recession conditions for example).

Through a dedicated committee which meets frequently, the Tradition UK Group is actively managing its response to COVID-19 which includes the provision of significant remote working capabilities. It has not seen any material disruption to its operations as a result. The remuneration terms of employees mean that reductions in revenue can be offset by falls in remuneration, however at present revenues are increased.

By order of the Board



C Rutt
Director
12 December 2020

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2019.

Directors and their interests

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

M Abbott	(appointed 25 February 2020)
M J Anderson	
C Baillet	(appointed 25 February 2020)
C Bienstock	(appointed 25 February 2020)
F Brisebois	(appointed 25 February 2020)
T De Saint Ouen	(appointed 25 February 2020)
M Leibowitz	
D Marcus	(resigned 22 May 2020)
C Rutt	(appointed 25 February 2020)
S A Umpelby	(resigned 1 February 2019)
S Vjestica	(appointed 25 February 2020)
A Wink	(appointed 25 February 2020)
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 for the 12 months from the reporting date of the financial statements and confirm that the Company is a going concern. For this reason they continue to adopt the going concern basis in preparing these financial statements.

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.

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.

Donations

During the year the Company made charitable donations of £nil (2018:nil).

Post balance sheet events

COVID-19 has been declared a global pandemic by the World Health Organisation and many governments are taking stringent steps in order to contain and/or delay the spread of the virus. Many of the actions taken in response to the spread COVID-19 have resulted in significant disruption to normal business operations and an increase in economic uncertainty which in turn impacts the estimation process inherent in financial reporting. See Note 25 for further details on the impact on the Company.



By order of the Board
C Rutt
Director
12 December 2020

Statement of Directors' responsibilities in respect of financial statements

The following statement, which should be read in conjunction with the independent auditors' report, is made by the Directors to explain their responsibilities in relation to the preparation of the Director's report, strategic report and financial statements.

The Directors are responsible for preparing the Director's report, strategic report and 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 or loss 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 Management Services Limited

Opinion

We have audited the financial statements of Tradition Management Services Limited ("The Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, 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."

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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 below. 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.

Emphasis of matter

We draw attention to Note 25 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting consumer demand, financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

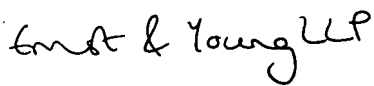
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the 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.



Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 December 2020

Statement of comprehensive income

For the year ended 31 December

	Notes	2019 £'000	2018 £'000
Turnover	3	40,384	40,012
Administrative expenses		(39,388)	(39,173)
Operating profit	4	996	839
Other income		24	-
Profit before interest and tax		1,020	839
Interest receivable	5	4	-
Interest payable	6	(313)	(150)
Profit on ordinary activities before tax		711	689
Tax on profit on ordinary activities	9	(340)	(393)
Profit on ordinary activities after tax		371	296

The notes on pages 15 to 36 form part of these financial statements.

Balance sheet

As at 31 December

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	11	12,678	4,270
Intangible fixed assets	10	6,095	7,302
		<u>18,773</u>	<u>11,572</u>
Current assets			
Debtors	12	25,521	26,345
Cash and cash equivalents	17	3,067	5,367
Deferred tax	16	963	835
Corporation tax		-	437
		<u>29,551</u>	<u>32,984</u>
Current Liabilities			
Creditors: amounts falling due within one year	13	(33,008)	(30,250)
Corporation tax		(232)	-
		<u>(33,240)</u>	<u>(30,250)</u>
Net current (liabilities) / assets		<u>(3,689)</u>	<u>2,734</u>
Creditors: amounts falling due after one year	14	(13,055)	(13,412)
Net assets		<u>2,029</u>	<u>894</u>
Capital and reserves			
Called up share capital		-	-
Profit and loss account		2,029	894
Shareholders' funds		<u>2,029</u>	<u>894</u>

The notes on pages 15 to 36 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 12 December 2020 and were signed on its behalf by:



C Rutt
Director

Statement of changes in equity

For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	-	598	598
Profit for the year	-	296	296
At 31 December 2018	-	894	894
At 1 January 2019	-	894	894
IFRS 16 adoption	-	764	764
Profit for the year	-	371	371
At 31 December 2019	-	2,029	2,029

On 31 December 2019 the shareholder of the Company transferred from Tradition Service Holdings SA, a company registered in Switzerland to Tradition UK Holdings Limited a newly created holding company incorporated in the UK. There was no change to capital as a result of the transfer in Company ownership.

The notes on pages 15 to 36 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. Authorisation of financial statements

The financial statements of Tradition Management Services Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 12 December 2020, and signed on behalf of the Board by C Rutt. The Directors have the power to amend and reissue the financial statements.

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 periods presented, unless otherwise stated.

New, revised or amended accounting standards and interpretations adopted

The Company adopted the following standards as of 1 January 2019:

Standard	Name	Effective date
IFRS 16	'Leases'	1 January 2019

The Company has applied IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. At 31 December 2018, the Company had an ongoing office lease in London, together with leases for data storage and printers. On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. The adoption of IFRS 16 on 1 January 2019 gave rise to the recognition of right-of-use assets of £5,376k and lease liabilities of £6,104k, and resulted in a transitional adjustment to retained earnings on 1 January 2019 of £764k.

The Company used a practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular it did not recognise a right-of-use asset or lease liability where the lease term ends within 12 months of the date of initial application. An existing lease for data storage has not been captured in the IFRS 16 reporting as it was categorised as a short term lease (lease expired in January 2019).

Basis of preparation

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 statement;
- Key management compensation; and
- Related party transactions between wholly owned group companies.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and FRS 101 Reduced Disclosure Framework. The financial statements have been prepared on a going concern basis.

Revenue recognition

Tradition Management Services Limited

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 judgment.

Recharge of Management Services

Management fees in connection with management services provided to Tradition UK Group companies are recognised on an accruals basis once the service has been provided.

Type of Contract:	2019	2018
	£'000	£'000
Provision of Management Services	40,384	40,012
	<u>40,384</u>	<u>40,012</u>

Interest income and expenses

Interest income and expense are recognised on an accruals basis.

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 re-translated 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.

Tradition Management Services Limited

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 to the profit and loss account as they become payable in accordance with the rules of the scheme.

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.

Cash at the bank and in hand

Cash at bank and in hand in the Balance Sheet comprise cash at bank and short term deposits with an original maturity of 3 months or less.

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.

i) Financial assets

Initial recognition and measurement

Under IFRS 9 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"). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. 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 or 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 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: these are ECLs that result from expected default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

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.

Tradition Management Services Limited

The Company has elected to measure loss allowances for Personal Loans at an amount equal to lifetime ECL's. The calculated ECL for all financial assets was deemed immaterial and has not been recognised. The loss for personal loans has been assessed on an individual basis, the loss allowance for all other financial assets were assessed on a collective basis.

ECLs are a probability-weighted estimate of credit losses, 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 financial liabilities 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

Tradition Management Services Limited

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. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposit and short-term money-market investments with maturities of three months or less from the date of acquisition. Cash equivalents are assets that are readily convertible into cash such as government securities and money market investment funds. The Company considers cash and cash equivalents as defined herein to constitute its liquid resources.

Shared-based payments

Share options in 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 (see note 19). 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.

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on the cost of all tangible fixed assets in use during the year at rates calculated to write off the cost of each asset evenly over its expected useful life. The following annual depreciation rates are used:

- | | | | |
|---|------------------------|---|-------------------|
| • | Leasehold improvements | - | duration of lease |
| • | Telephones | - | 5 years |
| • | Computer equipment | - | 3 years |
| • | Fixtures and fittings | - | 5 years |

Intangible fixed assets

Intangible fixed assets relate either to internally developed trading platforms (including IT time spent developing software) or externally purchased software. The internally developed trading platforms are held at cost until put to use and are then amortised over three to five years using the straight-line method in line with the Tradition UK group's amortisation policy.

Where the intangible fixed asset relates to externally purchased computer software, amortisation is provided on the cost of the computer software in use during the year at rates calculated to write off the asset evenly over its expected useful life. The following amortisation rate has been used:

- | | | | |
|---|-------------------|---|---------|
| • | Computer software | - | 3 years |
|---|-------------------|---|---------|

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 fair value less costs of disposal and value in use. The value in use is determined by reference to estimated future discounted cash flows.

No impairment loss has been recognised in the current period.

Leases

The Company has applied IFRS 16 using the modified retrospective approach under which the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

Policy applicable from 1 January 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a lease liability from 1 January 2019 (or on commencement date if later). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made before commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from 1 January 2019 (or from commencement date if later) to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at 1 January 2019 (or the commencement date if later), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate considering the following three components; reference rate, financing spread adjustments and lease specific adjustments.

Lease payments included in the measurement of the lease liability comprise the following;

- Fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Payments of penalties for terminating the lease, if the lease term reflects lessee exercising an option to terminate the lease.

The Company presents right-of-use assets in 'tangible assets' and lease liabilities in 'creditors: amounts falling due within one year' and 'creditors: amounts falling due after one year' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases. The Company has instead recognised the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether;

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

Tradition Management Services Limited

In the comparative period the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Where applicable, the leased assets were measured initially at an amount equal to the lower of their fair values and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. There were no finance leases in the Company in the comparative period.

All other leases were classified as operating leases and were not recognised in the statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

The office lease together with leases for data storage and printers were classified as operating leases in the comparative period.

3. Revenue and segmental reporting

Turnover represents charges for management services to fellow Tradition UK Group companies at a mark-up of 2% on those services provided in the year (2018: 2%).

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 20 to these financial statements.

4. Operating profit

Operating profit is stated after charging:

	2019 £'000	2018 £'000
(Gain)/loss on foreign exchange	(133)	140
Amortisation of intangible fixed assets	2,167	2,351
Depreciation of tangible assets	4,213	1,789
Other assurance related services – internal audit	413	233

Auditors remuneration

Fees payable to the Company's auditor for:

- Audit of the company's accounts	64	68
- Audit of the parent's accounts	26	25
	<u>90</u>	<u>93</u>

5. Interest receivable

	2019 £'000	2018 £'000
Interest receivable	<u>4</u>	<u>-</u>
	<u>4</u>	

6. Interest payable

	2019 £'000	2018 £'000
Interest payable on lease contracts -	201	-
Interest payable on balances due to group companies	112	150
	<u>313</u>	<u>150</u>

7. Directors remuneration

In accordance with its recharge policy, all the Company's administrative expenses including the directors' remuneration for some of the Company's Directors are charged out to other Tradition UK Group entities. Accordingly, particulars of their remuneration are disclosed in the financial statements of the Tradition UK Group entities. Due to the recharge policy the estimated amount is recharged out, as such no amount is disclosed in the accounts of the Company.

Some 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.

The number and total amount of loans to directors outstanding as at 31 December 2019 were 1 (2018: 1) and £573k (2018: £210k) respectively.

The terms and conditions of this loan are as follows;

Interest Rate – the loan is interest free.

Repayment Date – the loans are repayable from future bonuses and subject to the terms and conditions below;

Terms & Conditions- in the event of termination of employment, the loans are repayable in full or, where appropriate, set-off against applicable severance payments.

8. Staff Costs

	2019 £'000	2018 £'000
Wages and salary costs	17,544	18,954
National insurance contributions	2,890	2,370
Other pension, life assurance and staff benefits	540	568
	<u>20,974</u>	<u>21,892</u>

The amounts recorded under Staff Costs include the aggregate employee benefits for key management personnel.

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Average number of persons employed (including directors):

	2019 No.	2018 No.
Administration and Support	145	154
	<u>145</u>	<u>154</u>

The Company makes contributions at variable rates to eligible employees' pension plans. The Company operates a defined contribution scheme. The pensions cost charge represents contributions payable by the Company to the plans and amounted to £177k (2018: £181k). The amount of outstanding pension contributions at the year-end is £nil (2018: £nil).

9. Tax

	2019 £'000	2018 £'000
UK corporation tax charge— current year	497	452
UK corporation tax (credit) – prior year	<u>(29)</u>	<u>(19)</u>
Total corporation tax charge	468	433
Deferred tax movement	<u>(128)</u>	<u>(40)</u>
Total tax charge for the year	<u>340</u>	<u>393</u>

The tax charge for the periods varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit / (loss) on ordinary activities before tax	<u>711</u>	<u>689</u>
At average rate of corporation tax of 19.0% (2018: 19.0%)	135	131
Disallowed expenses	59	30
Adjustment in respect of prior periods – CT	(29)	(19)
Adjustment in respect of prior periods – DT	(17)	59
Reduction of corporation tax rate (tangibles)	8	-
Reduction of corporation tax rate	-	4
Transfer pricing adjustment	<u>184</u>	<u>188</u>
Total tax charge reported in statement of comprehensive income	<u>340</u>	<u>393</u>

10. Intangible fixed assets

	<i>Development assets £'000</i>	<i>Developed software £'000</i>	<i>Purchased software £'000</i>	<i>Total £'000</i>
Cost:				
At 1 January 2019	1,046	19,042	2,877	22,965
Additions	1,632	1	-	1,633
Disposals	(130)	(185)	-	(315)
Transfers	(1,282)	739	-	(543)
At 31 December 2019	1,266	19,597	2,877	23,740
Depreciation:				
At 1 January 2019	-	12,789	2,874	15,663
Charge for year	-	2,167	-	2,167
Disposals	-	(185)	-	(185)
As at 31 December 2019	-	14,771	2,874	17,645
Net book value				
As at 31 December 2018	1,046	6,253	3	7,302
As at 31 December 2019	1,266	4,826	3	6,095

Development assets include capitalised expenditure in relation to in-house development of software and hardware. These assets are held at cost until the respective projects are completed and the asset is available for use.

Developed software represents capitalised expenditure in relation to internally developed software on projects which have been completed and put to use by the end of the year.

Transfers within Intangible fixed assets of £739k relate mostly to the completion of the Data Centre Migration (£324k) and Elixium software development (£280k). Other transfers out of development assets and into their tangible asset class include Leasehold Improvements (£212k), furniture and office equipment (£11k) and Computer hardware (£321k).

11. Tangible fixed assets

	Building Right of Use £000	Leasehold improvements £000	Office furniture & equipment £000	Telephone £000	Computer hardware £000	Total £000
Cost:						
At 1 January 2019	-	11,675	1,808	2,375	13,831	29,689
IFRS 16 reclassification	5,376	-	-	-	-	5,376
Additions	4,240	2,060	37	320	45	6,702
Disposals	-	(335)	(25)	-	(44)	(404)
Transfers	-	212	11	-	321	543
At 31 December 2019	9,616	13,611	1,831	2,695	14,153	41,906
Depreciation:						
At 1 January 2019	-	10,203	1,351	1,297	12,568	25,419
Charge for year	2,306	889	161	361	496	4,213
Disposals	-	(335)	(25)	-	(44)	(404)
At 31 December 2019	2,306	10,757	1,487	1,658	13,020	29,228
Net book value:						
At 31 December 2018	-	1,472	457	1,078	1,263	4,270
At 31 December 2019	7,310	2,854	344	1,037	1,133	12,678

Transfers primarily relate to projects recorded in development assets during the development stage and then when the respective projects are completed and available for use the development asset is transferred into the appropriate corresponding asset class, see note 10 for further information.

12. Debtors

	2019 £'000	2018 £'000
Other debtors	148	347
Accrued income and prepayments	11,934	5,222
Amounts due from group undertakings	12,872	20,765
Other taxation and social security	567	11
	<u>25,521</u>	<u>26,345</u>

Included in prepayments are all target performance bonus loans and sign-on's associated with new employment contracts on behalf of the other Tradition UK Group companies with effect from April 2019.

13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Accruals and other creditors	5,994	7,098
Lease Liabilities	1,106	-
Amounts due to group undertakings	25,908	22,789
Deferred income (current year lease inducement)	-	363
	<u>33,008</u>	<u>30,250</u>

14. Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Long term loans	4,755	12,284
Deposit on account/Lease inducement	-	364
Lease Liabilities	8,300	-
Lease dilapidations	-	764
	<u>13,055</u>	<u>13,412</u>

The Company holds the following loans with repayment falling due after one year:

	2019 £'000	2018 £'000
Loan in relation to fixed assets transferred from Tradition (UK) Ltd	2,758	10,260
Loan in relation to fixed assets transferred from Tradition Financial Services Ltd	1,997	2,024
	<u>4,755</u>	<u>12,284</u>

These loans are unsecured, have no fixed date for repayment and bear interest at 1.25% p.a. (2018: 1.25% p.a.)

15. Leases

The first floor office lease together with the leases for data storage were classified as operating leases in the comparative period under IAS 17.

In 2019 a further office lease for the ground floor and a lease extension for the first floor of Beaufort House were entered into.

The information about these leases is presented below:

	2019 £'000	2018 £'000
Right-of-use asset recognised on adoption – 1 January 2019	5,376	-
New leases (ground floor and first floor extension)	4,240	-
Depreciation charge for the year	(2,306)	-
Balance as at 31 December 2019	7,310	-

Reconciliation of lease commitments at 31 December 2018 to lease liabilities recognised at 1 January 2019 is as follows:

	£'000
Operating Lease Commitments - 31 Dec 2018	5,857
Discounted present value using incremental borrowing rate – 1 Jan 2019	6,168
Short Term Leases	(64)
Lease liabilities recognised at 1 Jan 2019 based on existing contracts at 31 Dec 2018	6,104
Current lease liabilities	1,076
Non-current lease liabilities	5,028

On the initial measurement of lease liabilities at 1 January 2019, the Company used a weighted average incremental borrowing rate of 2.78%.

The below amounts have been recognised in the profit or loss, where 2019 is recorded under IFRS 16 and 2018 shows the operating leases under IAS 17:

	2019 £'000	2018 £'000
Interest on lease liabilities	201	-
Expenses relating to short-term leases	78	929
Depreciation of right-of-use assets	2,306	2,640
Total expense	2,585	3,569

The Company used a practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17. An existing lease for data storage has not been captured in the IFRS 16 reporting as it was categorised as a short term lease (lease expired in January 2019).

16. Deferred tax

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	888	881
Temporary differences on intangible assets	(1)	(46)
Temporary differences on share schemes	76	-
Asset at the end of the year	963	835

	2019 £'000	2018 £'000
Asset at the start of the year	835	795
Credit for the year	120	103
Adjustment in respect of prior years	16	(59)
Reduction in corporation tax rate	(8)	(4)
Asset at the end of the year	963	835

On 16 March 2016 the UK Government announced that the UK corporation tax rate will be reduced to 17% with effect from 1 April 2020. Deferred tax assets have been measured at 17.00% (2018: 17.00%) representing the rate that was enacted or substantively enacted at the reporting date. On 11 March 2020 the UK Government announced that the UK corporate tax rate will remain at 19% from 1 April 2020. As is required, the deferred tax asset will be re-measured once this has been enacted or substantively enacted which would result in an immaterial increase to the asset but would represent the actual rate at which the deferred tax balances are expected to unwind.

17. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2019 £'000	2018 £'000
Cash at banks and on hand	3,067	5,367
Cash and cash equivalents	3,067	5,367

18. Called up share capital

	2019 £	2018 £
Authorised and fully paid:		
100 ordinary shares of £1 each	100	100
	100	100

19. Share based payments

The cost of share based payments in 2019 amounted to £299k (2018: £nil).

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

	2019	2019	2018	2018
	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Outstanding at the beginning of the year	-	-	-	-
Granted	2.50	50,000	-	-
Exercised	-	-	-	-
Transferred	2.50	50,000	-	-
Lapsed	-	-	-	-
Cancelled	-	-	-	-
Outstanding at the end of the year	2.5	100,000	-	-
Exercisable at the end of the year	-	-	-	-

During 2019, the share options held by a Company Director were transferred into the Company from Tradition Financial Services Limited a fellow subsidiary undertaking of the Tradition UK group.

The share options held by a Company director remain outstanding at the end of the year, as certain exercise conditions noted below have not yet been met.

An analysis of the outstanding employee share options at 31 December 2019, as applicable to the Company is shown below:

Grant Date	Number of options of CHF 2.50 nominal value	Potential increase in capital CHF	Start of exercise date ⁽ⁱ⁾	Expiry date	Exercise price CHF	Exercise terms ⁽ⁱⁱ⁾ CHF
07/07/2017	30,000	75,000	07/07/2020	07/07/2025	2.50	110.00
18/07/2018	20,000	50,000	18/07/2021	18/07/2026	2.50	115.00
06/06/2019	50,000	125,000	01/06/2022	01/06/2027	2.50	120.00

Exercise conditions

- I. Options granted may only be exercised by employees of the group; and
- II. The share price must have been above these thresholds for 10 consecutive days in the 12 months preceding the exercise date.

20. Parent undertaking

On 31 December 2019, the Company's immediate parent undertaking became Tradition UK Holdings Limited, a company registered in England and Wales. This occurred pursuant to a group re-organisation. Both TSH and Tradition UK Holdings are subsidiaries of Compagnie Financière Tradition SA which is also registered in Switzerland. Compagnie Financière Tradition SA has included the Company in its group accounts, 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. This is unaffected by the change in immediate parent undertaking. Copies of its group accounts, which include the Company, are publicly available from their offices at 23, PL Vendôme, Paris 75001.

21. 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 20).

Capital is generated internally from shareholder funds. Shareholder funds are in the form of share capital and retained earnings.

22. 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 6. 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 related parties are as follows:

Related party	Amounts owed by related party £000	Amounts owed to related party £000
Joint ventures of associated companies:		
2019	21	1,744
2018	198	682
Shareholder and associated companies:		
2019	12,851	28,919
2018	20,567	34,391

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 loans described in Note 14.

The Company has not provided or benefited from any guarantees or commitments for any related party receivables or payables. During the ended 31 December 2019, the Company has not made any provision for expected credit losses relating to amounts owed by related parties (2018: £nil).

23. 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
2019			
Assets			
Cash at bank and in hand	3,067	-	3,067
Other receivables	855	-	855
Other taxation and social security	567	-	567
Amounts due from group undertakings	12,872	-	12,872
Total financial assets	17,361	-	17,361
Total non-financial assets			30,963
Total assets			48,324
Liabilities			
Amounts due to group undertakings	30,663	-	30,663
Lease Liabilities	9,406	-	9,406
Corporation tax	232	-	232
Other payables	5,994	-	5,994
Total financial liabilities	46,295	-	46,295
2018			
Assets			
Cash at bank and in hand	5,367	-	5,367
Other receivables	347	-	347
Amounts due from group undertakings	20,765	-	20,765
Total financial assets	26,479	-	26,479
Total non-financial assets			18,077
Total assets			44,556
Liabilities			
Amounts due to group undertakings	35,073	-	35,073
Other payables	8,589	-	8,589
Total financial liabilities	43,662	-	43,662

24. 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:

- Foreign currency risk;
- Interest rate risk;
- Liquidity risk;
- Legal and reputational risk;
- Conduct risk.

Foreign currency risk

The Company is exposed to foreign currency risk in respect of intercompany balances and loans denominated in a currency other than GBP. 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 Statement of Changes in Equity.

	<u>% Movement in currency rates</u>	<u>Effect on net profit £000</u>	<u>Effect on equity £000</u>
2019			
Currency			
EUR	5%	(22)	-
USD	5%	166	-
EUR	(5%)	24	-
USD	(5%)	(184)	-
2018			
Currency			
EUR	5%	(11)	-
USD	5%	(1)	-
EUR	(5%)	12	-
USD	(5%)	1	-

Interest rate risk

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. However, the Company does not carry large interest bearing assets and/or liabilities on its balance sheet. Where interest rate bearing assets and liabilities exist, they are typically of short maturity (less than 3 months) and consequently this risk is marginal. Moreover, the bank pooling facility in place for the Tradition UK Group enable bank balances to be effectively managed on a daily basis and the restrict the need for overnight overdraft positions thus limiting any interest charges thereon.

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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. The Company is exposed to balance sheet liquidity risk 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 table summarises the maturity profile of the Company's financial liabilities as at 31 December based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
Year-ended 31 December 2019	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
Interest bearing loans and lease liabilities	-	276	830	13,055	14,161
Trade and other creditors	17,299	4,826	10,009	-	32,134
	<u>17,299</u>	<u>12,102</u>	<u>10,839</u>	<u>13,055</u>	<u>46,295</u>
	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
Year ended 31 December 2018	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
Interest bearing loans and borrowings	-	-	-	12,284	12,284
Trade and other creditors	16,561	6,191	7,498	1,128	31,378
	<u>16,561</u>	<u>6,191</u>	<u>7,498</u>	<u>13,412</u>	<u>43,662</u>

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. Operational cash is managed on a pooled basis across the Tradition UK Group. 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.

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.

25. Events after the balance sheet date

The COVID-19 pandemic has resulted in significant volatility in financial markets as well as disruptions to people's lives as a result of preventative measures at a national and global level.

The Company has managed its response to COVID-19 which included the successful provision of significant remote working capabilities supported by IT, to enable employees 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.

The Board have considered the potential future impact of a future 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. For the Company, this is based on the fact that whilst revenues are earned from other Group companies, the continuing viability of the Group ensures that the Company can also continue. 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.