# Tradition London Clearing Limited

**Strategic report, Directors' report and statutory financial statements**
31 December 2020
Registered no: 03633863

# Contents

# General information

| | |
|---|---|
| **Directors** | M Abbott<br>C Baillet<br>C Bienstock<br>F Brisebois<br>T DeSaintOuen<br>M Leibowitz<br>W Wostyn |
| **Secretary** | M Lau |
| **Registered office** | Beaufort House<br>15 St. Botolph Street<br>London EC3A 7QX |
| **Auditors** | Ernst & Young LLP<br>25 Churchill Place<br>London E14 5EY |
| **Solicitors** | Mayer Brown International LLP<br>201 Bishopsgate<br>London EC2M 3AF |
| **Bankers** | NatWest<br>120 - 122 Fenchurch Street<br>London EC3M 5AN |

# Strategic report

The Directors present their strategic report for the year ended 31 December 2020 for Tradition London Clearing 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 loss for the year after taxation of £134k (2019: profit of £73k) as shown in the Statement of Comprehensive Income on page 12. The Directors do not recommend paying a final dividend (2019: £nil).

## Principal activities and review of the business

The Company's principal activity is the provision of settlement services to the Compagnie Financière Tradition SA group companies. The Company is authorised and regulated by the Financial Conduct Authority (FCA) in order to undertake certain regulated activities.

The Company is related to a number of UK entities which comprises TFS Derivatives Limited, Tradition Financial Services Limited, ParFX (UK) Limited, Tradition (UK) Limited and Tradition Management Services 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 Company has key regulatory indicators including regulatory capital, which is monitored on an on-going basis. The Company's other primary key performance indicators relate to settlement performance and monitoring.

During the year turnover decreased from £3,899k to £3,560k, a decrease of 9% as demand for settlement services has decreased across the Compagnie Financière Tradition SA (CFT) group companies. After Administrative expenses of £3,707k (2019: £3,827k), the Company generated an operating loss of £147k (2019: profit of £72k).

The Company recognised net interest payable of £19k (2019: receivable of £19k) resulting in a net loss for the year after taxation of £(**134**)k (2019: profit of £73k). The current year losses have decreased Shareholders funds from £28,514k to £28,380k.

## Principal risks and uncertainties

**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 preventative 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 depression 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.

**Other risks**

The other main risks facing the business that arise out of its clearing activities are operational risk (including settlement risk), credit risk and liquidity risk, conduct risk, legal and reputational risk (see note 19: Financial risk management policies and objectives).

By order of the Board

T DeSaintOuen
Director
23 April 2020

# 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 | |
| C Baillet | |
| C Bienstock | |
| F Brisebois | |
| T DeSaintOuen | |
| M Leibowitz | |
| W Wostyn | |
| M Anderson | (appointed 15 January 2021) |
| C Rutt | (appointed 26 May 2020) |
| A Wink | (appointed 10 June 2020) |

None of the Directors had any beneficial interest in the share capital of the 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.

## 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/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Future developments

The Company will continue to provide settlement services for matched principal transactions carried out by the subsidiaries of Compagnie Financière Tradition SA. Its priority is to deliver solutions to meet business needs and to continue to maintain the level of controls applied to this activity.

## 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.

The Board continues to actively monitor the situation.

## 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

T DeSaintOuen
Director
23 April 2020

# Statement of Directors' responsibilities in respect of the financial statements

The following statement, which should be read in conjunction with the independent auditors' report on pages 9-11, 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.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements are prepared on a going concern basis.

# Independent auditors' report to the members of Tradition London Clearing Limited

## Opinion

We have audited the financial statements of Tradition (UK) 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 22, 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 loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 up to 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 08, 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
26 April 2020

# Statement of comprehensive income

**For the year ended 31 December**

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| Revenue | 3 | 3,560 | 3,899 |
| Administrative expenses | | (3,707) | (3,827) |
| **Operating (loss) / profit** | 4 | **(147)** | **72** |
| Interest receivable | 5 | 10 | 33 |
| Interest payable | 6 | (29) | (14) |
| **(Loss) / profit before tax** | | **(166)** | **91** |
| Tax credit / (charge) | 9 | 32 | (18) |
| **(Loss) / profit after tax** | | **(134)** | **73** |

The notes on pages 15 - 31 form part of these financial statements.

# Balance sheet

**As at 31 December**

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible fixed assets | 10 | - | - |
| **Current assets** | | | |
| Deferred tax | 14 | 3 | 3 |
| Corporation tax | | 43 | - |
| Trade and other receivables | 11 | 853,566 | 925,347 |
| Cash and cash equivalents | 12 | 118,628 | 29,230 |
| | | 972,240 | 954,580 |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 13 | (943,860) | (926,066) |
| | | (943,860) | (926,066) |
| **Net current assets** | | **28,380** | **28,514** |
| **Net assets** | | **28,380** | **28,514** |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 28,500 | 28,500 |
| Retained earnings | | (120) | 14 |
| **Shareholders' funds** | | **28,380** | **28,514** |

The notes on pages 15 - 31 form part of these financial statements.

The financial statements of Tradition London Clearing Limited, registered number 03633863 were approved and authorised for issue by the board of Directors on 23 April 2021 and were signed on its behalf by:

T DeSaintOuen
Director

# Statement of changes in equity

**For the year ended 31 December**

| | Share capital £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2019 | 28,500 | (59) | 28,441 |
| Profit for the year | - | 73 | 73 |
| At 31 December 2019 | 28,500 | 14 | 28,514 |
| | | | |
| At 1 January 2020 | 28,500 | 14 | 28,514 |
| (Loss) for the year | - | (134) | (134) |
| **At 31 December 2020** | **28,500** | **(120)** | **28,380** |

The notes on pages 15-31 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 London Clearing Limited for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 23 April 2021, and the balance sheet was signed on the Board's behalf by T DeSaintOuen. The Directors have the power to amend and reissue the financial statements. Tradition London Clearing Limited is a private limited company incorporated in the United Kingdom and registered 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.

### 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. 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

The revenue for the Company relates to settlement and clearing fees on matched principal transactions undertaken on behalf of to the Compagnie Financière Tradition SA group companies. The revenue for matched principal transactions is dictated under IFRS 9 as the revenue is built into the price of exchange of financial assets and liabilities.

*Settlement & clearing fees*

Revenue is recognised on a trade date basis and comprises settlement and clearance fee income derived from acting as a matched principal counterparty in securities transactions.

**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 rates are included in 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:

- When 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;
- 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 enforcement 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.

**Interest income and expenses**

Interest income and expenses are recognised on an accruals basis. All interest receivable relates to financial institutions.

**Pensions**

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

**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. The Company considers cash and cash equivalents as defined herein to constitute its liquid resources, unless classified as restricted cash and cash equivalents. Restricted cash balances include obligated cash held with the clearers used by the Company. The restricted cash balances have been disclosed separately in note 12: Cash and cash equivalents.

**Clients' deposits**

The Company holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority. Such monies and the corresponding liability to clients are included on the balance sheet (refer to note 12: Cash and cash equivalents).

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation or amortisation 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:

- Computer equipment - 3 years
- Office furniture and equipment - 5 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 net realisable value and value in use. The value in use is determined by reference to estimated future discounted cash flows.

**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.

Financial assets

*Initial recognition and measurement*

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

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

Receivables are initially measured at their 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.

i) 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 loss allowance for financial assets has been assessed on a collective basis. The calculated ECL for financial assets was deemed immaterial and has not been recognised.

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.

ii) 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 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.

iii) 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.

**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 and estimation.

## 3. Revenue and segmental reporting

Revenue represents income earned from continuing operations (net of VAT) in connection with the provision of settlement services.

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 from its registered office as referred to in note 16 to these financial statements.

## 4. Operating profit

This is stated after charging:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| (Gain) / Loss on foreign exchange | (17) | 28 |
| **Auditors' remuneration:** | | |
| Fees payable to the Company's auditor for: | | |
| Audit of the company's accounts | 39 | 45 |
| Audit of the parent's accounts | 23 | 23 |
| Audit related assurance services | 22 | 23 |

## 5. Interest receivable

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Interest receivable on bank deposits | 10 | 33 |
| | 10 | 33 |

## 6. Interest payable

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Bank interest payable | 7 | 6 |
| Interest payable on balances due to group companies | 22 | 8 |
| | 29 | 14 |

## 7. Directors remuneration

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Directors' remuneration | 410 | 264 |
| Pension contribution | 1 | 1 |
| | 411 | 265 |
| Remuneration of highest paid Director | 366 | 254 |
| Pension contributions | 1 | 1 |
| | 367 | 255 |

The Company is related to a number of UK entities which comprises TFS Derivatives Limited, Tradition Financial Services Limited, ParFX (UK) Limited, Tradition (UK) Limited and Tradition Management Services 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".

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. Where disclosure is not made in the Compagnie Financière Tradition SA annual report the estimated remuneration for services for the Company by the Director's is included in the Directors remuneration total above.

None of the Directors of the Company had outstanding loans with the Company as at 31 December 2020 or 31 December 2019.

## 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<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Wages and salary costs | 704 | 703 |
| National insurance contributions | 94 | 81 |
| Other pension, life assurance and staff benefits | 21 | 24 |
| | 819 | 808 |

Average number of persons employed (including Directors):

| | 2020<br>No. | 2019<br>No. |
|---|---|---|
| Administration | 8 | 11 |
| | 8 | 11 |

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the plans. The pension cost is £9k (2019: £11k). There are no outstanding pension contributions at the year-end (2019: £nil).

## 9. Taxation

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| UK corporation tax (credit) / charge – current year | (32) | 18 |
| Deferred tax movement (see note 14) | - | - |
| Total tax (credit) / charge for the year | (32) | 18 |

### Reconciliation of the total tax charge

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

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| (Loss) / profit on ordinary activities before tax | (166) | 91 |
| At average rate of corporation tax of 19.0% (2019: 19.0%) | (32) | 18 |
| Total tax (credit) / charge reported in Statement of Comprehensive Income | (32) | 18 |

## 10. Tangible fixed assets

| | Office furniture and equipment £'000 | Computer hardware £'000 | Total £'000 |
|---|---|---|---|
| Cost: | | | |
| At 1 January 2020 | 2 | 72 | 74 |
| Additions | - | - | - |
| At 31 December 2020 | 2 | 72 | 74 |
| | | | |
| Depreciation: | | | |
| At 1 January 2020 | 2 | 72 | 74 |
| Charge for year | - | - | - |
| At 31 January 2020 | 2 | 72 | 74 |
| | | | |
| Net Book Value: | | | |
| As at 31 December 2020 | - | - | - |
| As at 31 December 2019 | - | - | - |

## 11. Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade debtors | 853,499 | 925,251 |
| Other debtors | - | 10 |
| Prepayments | 12 | 30 |
| Amounts due from related parties | 56 | 56 |
| | 853,566 | 925,347 |

## 12. Cash and cash equivalents

Cash and cash equivalents comprise the following at 31 December:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Cash at banks and on hand | 118,628 | 29,230 |
| Client money | - | - |
| Cash and cash equivalents | 118,628 | 29,230 |
| | | |
| Restricted cash included in the cash and cash equivalents balance | 2,703 | 2,702 |

The restricted cash balance includes obligated cash held with clearers of £2,703k (2019: £2,702k).

Client balances are held by the Company in trust on behalf of clients in accordance with the Client Money Rules of the Financial Conduct Authority.

## 13. Creditors: amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade creditors | 853,329 | 924,302 |
| Bank Overdraft | 89,041 | 243 |
| Accruals and other creditors | 261 | 389 |
| Amounts due to group undertakings | 1,187 | 1,041 |
| Other taxes and social security | 42 | 91 |
| | 943,860 | 926,066 |

## 14. Deferred tax

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Depreciation in excess of capital allowances | 3 | 3 |
| Other short term temporary differences | - | - |
| Asset at the end of the year | 3 | 3 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Asset at the start of the year | 3 | 3 |
| (Charge) for the year | - | - |
| Asset at the end of the year | 3 | 3 |

Deferred tax assets in 2019 were measured at 17% 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 immaterial increase in the asset. 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.

## 15. Called up share capital

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| *Authorised:* | | |
| 28,500,000 ordinary shares of £1 each | 28,500 | 28,500 |
| | 28,500 | 28,500 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| *Authorised:* | | |
| 28,500,000 ordinary shares of £1 each | 28,500 | 28,500 |
| | 28,500 | 28,500 |

The ordinary shareholders have one vote per share and participate equally in the event of the winding up of the Company.

## 16. Parent undertaking

On 31 December 2019 Tradition Service Holding S.A. 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 S.A., a company registered in Switzerland. Compagnie Financière Tradition S.A. 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. Copies of its group accounts, which include the Company, are publicly available from their offices at 9, PL Vendôme, Paris 75001.

## 17. 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: Financial instruments 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 £'000 | Total £'000 |
|---|---|---|
| **2020** | | |
| ***Assets*** | | |
| Trade debtors | 853,499 | 853,499 |
| Cash at bank and in hand | 118,628 | 118,628 |
| Amounts due from group undertakings | 55 | 55 |
| Total financial assets | 972,182 | 972,182 |
| Total non-financial assets | | 58 |
| **Total assets** | | 972,240 |
| ***Liabilities*** | | |
| Trade creditors | 853,329 | 853,329 |
| Accruals, other creditors, other taxes and social security | 303 | 303 |
| Bank overdraft | 89,041 | 89,041 |
| Amounts due to group undertakings | 1,187 | 1,187 |
| Total financial liabilities | 943,860 | 943,860 |
| **Total liabilities** | | 943,860 |

**2019**

| | | |
|---|---|---|
| ***Assets*** | | |
| Trade debtors | 925,251 | 925,251 |
| Cash at bank and in hand | 29,230 | 29,230 |
| Other receivables | 10 | 10 |
| Amounts due from group undertakings | 56 | 56 |
| Total financial assets | 954,547 | 954,547 |
| Total non-financial assets | | 33 |
| **Total assets** | | 954,580 |

| | | |
|---|---|---|
| ***Liabilities*** | | |
| Trade creditors | 924,302 | 924,302 |
| Accruals, other creditors, other taxes and social security | 480 | 480 |
| Bank overdraft | 243 | 243 |
| Amounts due to group undertakings | 1,041 | 1,041 |
| Total financial liabilities | 926,066 | 926,066 |
| **Total liabilities** | | 926,066 |

## 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 | - | - |
| 2019 | - | 4 |
| Shareholder and associated companies | | |
| 2020 | 56 | 1,187 |
| 2019 | 56 | 1,037 |

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 all subsidiaries of that company.

*Terms & Conditions*

Outstanding balances with related parties are unsecured, interest free and cash settled.
The Company has not provided or benefited from any guarantees or commitments for any related party receivables or payables. During the ended 31 December 2020, the Company has not made any provision for expected credit losses relating to amounts owed by related parties (2019: £nil).

## 19. Financial risk management policies and objectives

The Company is primarily exposed to the following risks:

- Operational risk;
- Credit risk;
- Market risk;
- Interest rate risk;
- Liquidity risk;
- Legal and reputational risk;
- 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. 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**

The Company is exposed to three kinds of credit risks; credit default risk, settlement risk and concentration risk. The Company's core clients comprise banks and financial institutions with high credit ratings. The centralised Credit Committee, based at Compagnie Financière Tradition SA in Lausanne, has responsibility for assessing, challenging and deciding on credit ratings and trading limits for the matched principal and cleared broking business. Daily reports are used for monitoring and enforcement purposes.

The credit team ensures that credit exposures are monitored and that appropriate management information is provided to the Company's management.

The Company assesses and manages the cash held with banks and the commission receivables from customers in order to assess and monitor any bad debts. Where recovery, of all or part of amounts due, is in doubt, a provision is set up so that balance-sheet fairly reflects current expected credit losses.

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 carrying value of total financial assets as at balance sheet date.

*Loss allowance*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all broking receivables. The calculated ECL for broking receivables and other financial assets was deemed immaterial and has not been recognised.

**Market risk**

*Foreign currency risk*

The Company's revenues are predominantly in GBP, EUR and USD 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. An analysis has been 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.

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

| | % Movement in currency rates | Effect on net profit £'000 | Effect on equity £'000 |
|---|---|---|---|
| 2020 | | | |
| Currency | | | |
| EUR | 5% | (37) | - |
| USD | 5% | (8) | - |
| EUR | (5%) | 41 | - |
| USD | (5%) | 8 | - |
| | | | |
| 2019 | | | |
| Currency | | | |
| EUR | 5% | (32) | - |
| USD | 5% | (7) | - |
| EUR | (5%) | 35 | - |
| USD | (5%) | 7 | - |

**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. 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 enables bank balances to be effectively managed on a daily basis and restrict the need for overnight overdraft positions thus limiting any interest charges thereon.

**Liquidity risk**

Liquidity Risk is the current or prospective risk arising from the inability to meet obligations as they come due without incurring unacceptable losses. The Company is exposed to three different types of liquidity risk:

- Balance sheet liquidity, the need to finance working capital requirements;
- Transactional liquidity, the risk that directly arises from front office operations, and consists of the financing of collateral for clearing and settlement; and

- Market liquidity, the risk that a position cannot easily be unwound or offset at short notice without significantly influencing the market price and incurring a significant loss.

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 2020 and 2019 based on contractual undiscounted payments.

| *Year Ended 31 December 2020* | On demand £'000 | Less than 3 months £'000 | 3 to 12 months £'000 | Total £'000 |
|---|---|---|---|---|
| ***Non-derivative Financial Liabilities*** | | | | |
| Interest bearing loans & borrowings | 89,041 | - | - | 89,041 |
| Trade and other creditors | 853,843 | 215 | 759 | 854,818 |
| Total | 942,885 | 215 | 759 | 943,860 |

| *Year Ended 31 December 2019* | On demand £'000 | Less than 3 months £'000 | 3 to 12 months £'000 | Total £'000 |
|---|---|---|---|---|
| ***Non-derivative Financial liabilities*** | | | | |
| Interest bearing loans & borrowings | 243 | - | - | 243 |
| Trade and other creditors | 924,582 | 254 | 987 | 925,823 |
| Total | 924,825 | 254 | 987 | 926,066 |

***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.

***Transactional liquidity***

The most significant element of funding liquidity risk arises out of the requirement to potentially finance failed trades and margin calls.

The Company uses the services of a number of clearers who provide secured overdraft facilities without a formalised limit. The use of multiple clearers provides significantly more credit and constitutes efficient risk mitigation against the risk of one clearer withdrawing its credit lines or failing.

As the business includes matched principal transactions, failed trades are usually backed by collateral (cash or securities) which are pledged to the custodian to support the overdraft facility. A daily track is kept to monitor the surplus/deficit in the VaR value of collateral against clearer funding.

The Company operates within a liquidity framework, approved by the Board that covers transactional liquidity policy and a methodology.

***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 3 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 3 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.

## 20. Capital management

The responsibility for the Company's capital planning lies with the Board of Directors (the "Board").

Capital is generated 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 subordinated debt or a capital injection obtained from its immediate parent company, Tradition UK Holdings Limited.

## 21. 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.

## 22. 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.

| Entity | Tradition London Clearing Ltd 2020 | Tradition London Clearing Ltd 2019 |
|---|---|---|
| **Nature of Activities** | Clearing & Settlement | Clearing & Settlement |
| **Geographic Location** | UK | UK |
| | £'000's | £'000's |
| **Turnover** | 3,560 | 3,899 |
| **Employees** | 8 | 11 |
| **(Loss) / Profit before Tax** | (166) | 91 |
| **Tax Paid** | 0 | 12 |

Notes:

1. Tradition London Clearing Ltd is regulated by the Financial Conduct Authority (FCA) and subject to the requirement of CRD IV Article 89.
2. Tax Paid represents the amounts physically paid, after reallocations under the Group payment arrangement, to HMRC.
3. There were no public subsidies received in either 2020 or 2019.