

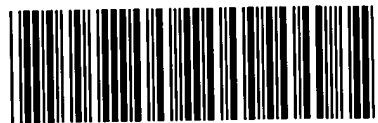
Tradition (UK) Limited

Strategic Report, Directors' Report and Statutory Financial Statements

31 December 2017

Registered No: 937647

WEDNESDAY



A10 *A7EUEYEW* 19/09/2018 #8
COMPANIES HOUSE

Contents

	PAGES
General information	1
Strategic report	2-3
Directors' report	4-5
Statement of directors' responsibilities in respect of the financial statements	6
Independent auditors' report to the members of Tradition (UK) Limited	7-9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the financial statements	13-35

General Information

Directors	M Abbott (Chairperson) C Baillet F Brisebois H de Carmoy M Leibowitz D Marcus M McCaig S A Umpelby W Wostyn M Anderson S Vjestica
Secretary	P Weston
Registered Office and Principal Place of Business	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 2017.

Results

Tradition (UK) Limited (the "Company") recognised a profit for the year after taxation and other comprehensive income of £1,262k (2016: loss £635k) as shown in the Statement of Comprehensive Income on page 10. The directors do not recommend paying an interim or a final dividend (2016: interim £nil and final £nil).

Principal activities and review of the business

The principal activity of the Company is the broking of money market instruments, repos and other fixed income and rate driven products. The Company for the period of the accounts was authorised and regulated by the Financial Conduct Authority.

For the period of account the Company recognised the Trad-X business activities as part of its results. The directors will assess the most appropriate time for a transfer of Trad-X into its own legal entity to happen. The Trad-X business generated revenues of £716k for the year, offset by administrative expenses of £2,621k, resulting in a loss for the year of £1,905k before taxation.

The Company has key regulatory indicators including regulatory capital, which is monitored on an on-going basis. The Company's other key financial indicators are turnover and operating profit. Turnover decreased from £87,891k to £83,756k, a decrease of 5%. Administrative expenses of £85,818k have decreased by £6,029k year on year. The operating loss for the year was £2,062k (2016: loss of £3,956k). The Company recognised other income relating to the provision of electronic data to third parties (data sales) of £3,705k, an increase of £552k over the prior year. After allowing for net interest receivable of £152k (2016: £189k) and other comprehensive income of (£5k) (2016: £22k) the Company recognised a profit for the year after taxation of £1,262k (2016: loss of £635k) increasing shareholders' funds from £22,375k to £23,637k. Cash at bank and in hand decreased to £9,849k (2016: £9,895k). Creditor amounts falling due within one year increased to £23,005k (2016: £22,780), driven by an increase in amounts due to group undertakings partially offset by a decrease in payables to employees.

In 2017 the Company transferred the investment in a repo / collateral venture (Elixium) to another Tradition London Group company. The transfer out was a significant portion of the administrative expenses (2017: £3,723k).

During 2017 an error in the Value Added Tax (VAT) treatment of intercompany charges was self-identified. As such, a Voluntary Declaration has been undertaken by the Company for the four years ending December 2017. The total output tax identified as underpaid was £499k (£153k relating to 2017 of which £141k TUK & £12k Trad-X, and £346k relating to the previous years of which £295k TUK & £51k Trad-X).

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

Strategic report

Principal risks and uncertainties

On the 3rd January 2018 the Markets in Financial Instruments Directive (MiFID II) was rolled out across all member states in the European Union.

MiFID II introduces a range of financial reforms to enhance transparency, dramatically increase reporting requirements, create new regulated Trading Venues and offer greater protection for clients and is the largest regulatory change to hit UK financial services entities in the last 25 years.

A number of workstreams were set up within Tradition London Group to ensure readiness for the January deadline. Early indications are that the MiFID II project was successful and whilst there is still some work to be done on further enhancements we have not encountered any significant issues or impact to market volumes

In June 2016 the United Kingdom held a referendum to determine whether Britain should exit the European Union ("Brexit"). The results were in favour of leaving. The negotiation of terms and actual exit is expected to continue through 2019. As significant uncertainty still exists around what Brexit will actually mean for the UK financial market and the Company, this has been recorded on the risk register. The Tradition London Board has also resolved to form a Brexit Committee to consider and debate the issues.

The Company operates as an inter-dealer broker in various financial markets. As such it does not take any proprietary positions and acts solely as an intermediary for clients. The main risks facing the business arising out of its broking activities are predominantly operational and liquidity risk. As it doesn't take proprietary positions, even on a matched principal basis, credit risk is limited to creditworthiness of counterparties when collecting revenues and interest rate risk and market risk are limited (refer to Note 21: Financial risk management policies and objectives). The Company operates in a competitive environment and therefore is also subject to changes in markets or the actions of competitors.



By order of the board
P Weston
Company Secretary
19 April 2018

Directors' report

Registered No: 937647

The directors present their report and financial statements for the year ended 31 December 2017.

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
F Brisebois
H de Carmoy
M Leibowitz
D Marcus
M McCaig
S Tully
S A Umpelby
W Wostyn
M Anderson
S Vjestica

(Resigned 31/12/2017)

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.

Financial instruments

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

Financial instruments give rise to market, foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise are detailed in Note 21, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Directors' report

Registered No: 937647

Financial instruments (continued)

Use of derivatives

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The forward contracts are recorded at fair value (see Note 18: Derivative Financial Instruments). The maturity profiles of the current year contracts within assets are set to mature within 3 months (£73k) and the contracts recorded in liabilities are set to mature within 3 months (£6k) and between 3 and 6 months (£7k).

Future developments

The Company focuses on maintaining and developing its position as a key player in the wholesale inter-dealer broker market as part of the global Tradition brand. The directors will assess the most appropriate time for the transfer of Trad-X into its own regulated entity.

Subsequent Events

There were no post balance sheet events.

Disclosure of information to the auditor

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.

By order of the board



P Weston
Company Secretary
19 April 2018

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 7 - 9, 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 (UK) Limited

Opinion

We have audited the financial statements of Tradition (UK) Limited ("The Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, 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 2017 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.

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.

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.

Independent auditors' report

to the members of Tradition (UK) Limited

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.

Independent auditors' report

to the members of Tradition (UK) Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Ernst & Young LLP

Maurice McCormick (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

19 April 2018

Statement of Comprehensive Income

for the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> £000	<i>Restated</i> <i>2016</i> £000
Turnover	3	83,756	87,891
Administrative expenses		(85,818)	(91,847)
Operating (Loss)	4	(2,062)	(3,956)
Other income		3,705	3,153
Profit/(Loss) before interest and tax		1,643	(803)
Interest receivable	5	154	190
Interest payable		(2)	(1)
Profit/(Loss) on ordinary activities before taxation		1,795	(614)
Tax on Profit/(Loss) on ordinary activities	8	(528)	(43)
Profit/(Loss) for the year		<u>1,267</u>	<u>(657)</u>
Other comprehensive income for the year		(5)	22
Total comprehensive Profit/(Loss) for the year		<u><u>1,262</u></u>	<u><u>(635)</u></u>

Prior Year restatement of Administrative Expenses and Tax relates to the recognition of the 2016 VAT expense component as part of the Voluntary Declaration. See note 24: Restatement of prior year balances.

The Notes on pages 13 – 35 form part of these financial statements.

Balance Sheet

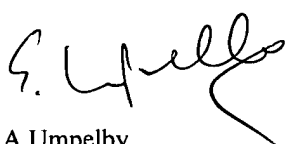
at 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>£000</i>	<i>Restated</i> <i>2016</i> <i>£000</i>
Fixed assets			
Investments – non-current	9	113	118
Current assets			
Deferred tax	13	95	180
Debtors	10	37,045	34,968
Cash at bank and in hand	12	9,849	9,895
		<u>46,989</u>	<u>45,043</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(23,005)	(22,780)
Corporation tax		(460)	(6)
		<u>(23,465)</u>	<u>(22,786)</u>
Net current assets		<u>23,524</u>	<u>22,257</u>
Net assets		<u><u>23,637</u></u>	<u><u>22,375</u></u>
Capital and reserves			
Called up share capital	14	21,050	21,050
Other reserves		17	22
Profit and loss account		2,570	1,303
Shareholders' funds		<u><u>23,637</u></u>	<u><u>22,375</u></u>

Prior Year restatement of Debtors and Creditors relates to the reclassification of the prior year component of the VAT payable as part of the Voluntary Declaration. The adjustment reclassified a VAT receivable of £48k from Debtors to a VAT payable of £298k. Deferred Tax was also recognised of £67k. See note 24: Restatement of prior year balances.

The Notes on pages 13 – 35 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 19 April 2018 and were signed on its behalf by:



S A Umpelby
Director

Statement of Changes in Equity

at 31 December 2017

	<i>Share capital</i>	<i>Other reserves (AFS)</i>	<i>Restated Retained earnings</i>	<i>Restated Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2016 - restated	21,050	22	1,960	23,202
Loss for the year	-	-	(548)	(548)
Correction for prior period	-	-	(109)	(109)
At 31 December 2016 - restated	<u>21,050</u>	<u>22</u>	<u>1,303</u>	<u>22,375</u>
At 1 January 2017	21,050	22	1,303	22,375
Profit for the year	-	-	1,267	1,267
Other comprehensive income	-	(5)	-	(5)
At 31 December 2017	<u><u>21,050</u></u>	<u><u>17</u></u>	<u><u>2,570</u></u>	<u><u>23,637</u></u>

Correction for prior period of £109k relates to the component of the Company's Voluntary Declaration for Value Added Tax (VAT) for 2016.

Prior Year restatement of opening retained earnings of £170k (from £2,130 to £1,960k) relates to the 2014 – 2015 component payable of the Company's Voluntary Declaration for Value Added Tax (VAT).

The Voluntary Declaration relates to a self-identified error in the VAT treatment of intercompany recharges and covers a period of four years. See note 24: Restatement of prior year balances.

The Notes on pages 13 – 35 form part of these financial statements.

Notes to the financial statements

at 31 December 2017

1. Authorisation of financial statements

The financial statements of Tradition (UK) Limited for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 19 April 2018, and the balance sheet was signed on their behalf by S A Umpelby. The directors have the power to amend and reissue the financial statements.

Tradition (UK) Limited is a private limited company and is incorporated, domiciled and registered in England.

2. Accounting policies

2.1 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.

2.2 New, revised or amending Accounting Standards and Interpretations adopted

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that have had a material impact on the Company.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become mandatory.

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Company does not consider significant changes will be required to the classification of and measurement of the financial assets and liabilities that are recorded at reporting date. To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on de-recognition
- Financial assets FVPL

The accounting for impairment will switch from the incurred loss approach (under IAS 39) to a forward looking expected credit loss (ECL) approach under IFRS 9 for reporting periods commencing 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' outlines the principles an entity must apply to measure and recognise revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard requires an entity to recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The Company does not expect any changes to revenue recognition with the introduction of IFRS 15.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.3 Basis of preparation

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

- a) Comparatives for tangible and intangible fixed asset reconciliations;
- b) Cash flow statements;
- c) Key management compensation;
- d) Related party transactions between wholly owned group companies; and
- e) Impairment of assets;

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

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.

2.4 Revenue recognition

Securities broking is transacted on a matched principal or agency basis. Turnover on securities broking is recognised on a trade date basis and comprises commission and matched principal income. Unsettled securities transactions are reflected on the Balance Sheet of Tradition London Clearing Limited, which acts as the clearing firm for these trades. They are displayed as trade debtors or trade creditors representing the net consideration amounts receivable from and due to counterparties.

Derivatives broking is transacted on an arranging, execution and give-up bases. Turnover is recognised as the net brokerage on a trade date basis. Outstanding brokerage is reflected on the balance sheet as trade debtors

Data Sales

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

2.5 Interest income and expenses

Interest income and expenses are recognised on an accruals basis.

2.6 Dividend income

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

2.7 Cash at bank and in hand

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

2.8 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.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.8 Foreign currencies (continued)

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 balance sheet date. Gains and losses on foreign exchange are included in arriving at the profit or loss before taxation.

2.9 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 enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

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

2.10 Pensions

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

2.11 Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.11 Financial instruments (continued)

i) Financial assets (continued)

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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 trade 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, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company. The Company has not designated any hedge relationships.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.11 Financial instruments (continued)

ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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.

ii) *Financial liabilities*

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.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.11 Financial instruments (continued)

iv) *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 remeasured at fair value.

v) *Derivative financial instruments (continued)*

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.

2.12 Investments – non-current

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

2.13 Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2.14 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.

2.15 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.

2.16 Consolidated financial statements

The Company has taken advantage of section 400 Companies Act 2006 allowing it not to publish consolidated financial statements, as this information is included within the consolidated financial statements of its parent undertaking, which are publicly available from its registered office as referred to in note 15 to these financial statements.

2.17 Judgements and key sources of estimation uncertainty

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

Notes to the financial statements

at 31 December 2017

3. Turnover and segmental reporting

Turnover represents commissions receivable in connection with the broking of money market instruments, repos and other fixed income and rate driven products, net of any VAT and trade discounts given.

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 15 of these financial statements.

4. Operating loss

This is stated after charging:

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Gain on foreign exchange	261	241

Auditors' remuneration:

Fees payable to the Company's auditor for the audit of the annual accounts

Other assurance related services

112	120
44	-
<u>156</u>	<u>120</u>

5. Interest receivable

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Interest receivable on bank deposits	20	46
Interest receivable on balances due from group companies	134	144
	<u>154</u>	<u>190</u>

Notes to the financial statements

at 31 December 2017

6. Directors' remuneration

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Directors' remuneration	2,429	2,005
Pension contribution	4	5
	<u>2,433</u>	<u>2,010</u>
Remuneration of highest paid director	878	753
Pension contribution	1	1
	<u>879</u>	<u>754</u>

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. For the directors who are remunerated by Compagnie Financière Tradition SA, the full details of their remuneration can be found in the remuneration report section of the publicly available Compagnie Financière Tradition SA annual report. Where disclosure is not made in the Compagnie Financière Tradition SA annual report the estimated remuneration for services for the Company by the director's is included in the Directors remuneration total above.

The aggregate amount of compensation paid to directors or past directors for loss of office was £375k.

The number and total amount of loans to directors, connected persons and officers outstanding as at 31 December 2017 was 1 (2017: 1) and £33k (2016: £84k) respectively.

The terms and conditions of these loans are as follows:

Interest rate – the loans are interest free;

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

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

The carrying amount of the amount of the loans to directors is a reasonable estimate of their fair value.

Notes to the financial statements

at 31 December 2017

7. 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:

	2017	<i>Restated</i> 2016
	£000	£000
Wages and salary costs	44,726	47,671
National insurance contributions	6,004	6,138
Other pension, life assurance and staff benefits	938	876
	<u>51,668</u>	<u>54,685</u>

Prior year restatement includes release of bonus over accrual of £157k which was not included in note 7 within 31 December 2016 financial statements. No net change to Statement of Comprehensive Income.

Average number of persons employed (including directors):

	2017	2016
	No.	No.
Dealing	171	177
Administration	28	24
	<u>199</u>	<u>201</u>

The Company makes contributions at variable rates to certain employees' pension plans. The pension cost charge represents contributions payable by the Company to the plans amounting to £176k (2016: £189k). The amount of outstanding pension contributions at the year-end was £nil. (2016: £nil).

8. Taxation

	2017	<i>Restated</i> 2016
	£000	£000
UK corporation tax charge – current year	461	94
UK corporation tax (credit)/charge – prior year	(18)	(56)
	<u>443</u>	<u>38</u>
Deferred tax movement (note 13)	85	5
Total tax charge for the year	<u>528</u>	<u>43</u>

Notes to the financial statements

at 31 December 2017

8. Taxation (continued)

Factors affecting the tax charge for the year

The tax charges for the periods vary from the standard rate of corporation tax in the UK. The differences are explained below;

	2017	<i>Restated</i> 2016
	£000	£000
Profit/ (Loss) on ordinary activities before tax	1,795	(614)
At average rate of corporation tax of 19.25% (2016: 20.00%)	345	(122)
Expenses not allowable for tax purposes	294	315
Adjustment in respect of transfer pricing	(91)	(98)
Adjustment in respect of prior years	(18)	(56)
Reduction in corporation tax rate	(2)	4
Total	<u>528</u>	<u>43</u>

Prior year also includes the recognition of the 2016 component of the Voluntary declaration for VAT payable. See note 24 for further details

9. Investments – non-current

	<i>AFS - Unlisted shares</i> £000	<i>AFS- Other investments</i> £000	<i>Investment in subsidiary</i> £000	<i>Total</i> £000
Cost:				
At 1 January/ 31 December 2017	<u>4</u>	<u>319</u>	<u>92</u>	<u>415</u>
Provision for impairment:				
Opening balance at 1 January 2017	-	(297)	-	(297)
Reversal charge	-	(5)	-	(5)
Closing balance at 31 December 2017	<u>-</u>	<u>(302)</u>	<u>-</u>	<u>(302)</u>
Net book value:				
At 31 December 2017	<u>4</u>	<u>17</u>	<u>92</u>	<u>113</u>
At 31 December 2016	<u>4</u>	<u>22</u>	<u>92</u>	<u>118</u>

Notes to the financial statements

at 31 December 2017

9. Investments – non-current (continued)

Available-for-sale financial assets

The unlisted shares represent a 9.1% interest in Automated Confirmation Service Limited, a company registered in England. In the directors' opinion this investment is adequately carried at cost less permanent diminution in value. The carrying value of the investment is a reasonable estimate of the fair value.

Other investments represent a holding of 9,155 Oil Index Obligations in connection with Republic of Venezuela Bonds denominated in USD. These investments were valued at market in 2016 (USD 27k or GBP 22k) and a 2017 impairment of £5k has been processed to record these at the 2017 market value (USD 23k or GBP 17k).

Investment in subsidiary

Investments in subsidiary undertakings represents 100% of the share capital of Tradition Government Bond Brokers and Derivatives Brokers (Pty) Limited, a company registered in South Africa. The details of the subsidiary undertaking are set out below:

Cost and net book value:		2017	2016		
	Country of incorporation	%	Principal Activity	£000	£000
Tradition Government Bond Brokers and Derivatives Brokers (Pty) Limited	South Africa	100	Bond & Derivatives broking	92	92

The registered address is Kilarney Block 5, Fourways Golf Park, Roos Street, Fourways, Johannesburg 2055, South Africa.

10. Debtors

	2017	Restated 2016
	£000	£000
Trade debtors	10,738	9,938
Other debtors	1,146	1,331
Foreign exchange forward contracts	73	45
Prepayments and accrued income	896	503
Other taxation and social security	-	-
Amounts due from group undertakings	21,092	20,051
Loan receivable from group undertaking	3,100	3,100
	<u>37,045</u>	<u>34,968</u>

The amounts due from group undertakings include a loan with Tradition Management Services Limited, a fellow subsidiary undertaking of the Tradition UK group of £10,260k (2016: £10,260k) which is unsecured, repayable on demand and bears interest at 1.25% p.a. (2016: 1.25% p.a.).

Notes to the financial statements

at 31 December 2017

10. Debtors (continued)

The amounts due from group also include funds receivable from Tradition Management Services Limited in respect of performance related employee loans which are issued by Tradition Management Services Limited on behalf of the Company.

The Loan receivable from group undertaking is unsecured, repayable on demand and bears interest at 0.25% above UK Base Rate.

The fair value of the debtors is not significantly different to the carrying value in the balance sheet.

Prior year restatement includes a reclassification between Debtors and Creditors of £48k for VAT balance that was previously shown in a positive position. See note 24: Restatement of prior year balances.

11. Creditors: amounts falling due within one year

	2017	<i>Restated</i> 2016
	£000	£000
Accruals and other creditors	11,821	13,694
Foreign exchange forward contracts	13	127
Trade creditors	208	297
Group relief payable	-	15
Other taxation and social security	1,753	1,497
Subordinated loan due to group undertaking	3,100	3,100
Amounts due to group undertakings	6,110	4,050
	<u>23,005</u>	<u>22,780</u>

The subordinated loan of £3,100k comprises amounts advanced by the parent undertaking, Tradition Service Holding S.A., carries interest at 0.25% p.a. above the UK Base Rate and has no fixed date for repayment. The interest rate is equal to the effective rate of interest as there have been no fees charged on the loan. This loan forms part of the Company's regulatory capital resources and is repayable at any point subject to approval from the Financial Conduct Authority on 30 days' notice.

The fair value of the subordinated loan is not significantly different to the carrying value in the balance sheet.

Prior Year restatement of Debtors and Creditors relates to the reclassification of the prior year component of the VAT payable as part of the Voluntary Declaration. The adjustment reclassified a VAT receivable of £48k from Debtors to a VAT payable of £298k. See note 24: Restatement of prior year balances.

12. Cash and cash equivalents

Cash and cash equivalents comprise the following at 31 December 2017:

	2017	2016
	£000	£000
Cash at bank and on hand	9,849	9,895
Cash and cash equivalents	<u>9,849</u>	<u>9,895</u>

Notes to the financial statements

at 31 December 2017

13. Deferred tax

	2017	<i>Restated</i> 2016
	£000	£000
Depreciation in excess of capital allowances	95	113
Other short term temporary differences	-	67
	<u>95</u>	<u>180</u>
Asset at start of year - restated	180	185
Charge for the year	(87)	(1)
Reduction in corporate tax rate	2	(4)
Asset at end of year	<u>95</u>	<u>180</u>

Prior Year Restatement of £67k; £41k of which is the opening asset and £26k in the 2016 charge for the year (from £31k to £5k) relates to the recognition of a deferred tax asset in relation to the prior year components of the Voluntary Declaration for VAT payable. This deferred tax asset was recognised at 19.25% and unwound in 2017.

The Company has unutilised capital losses arising of £9,336k (2016: £9,336k) that are available for offset against future capital gains. A deferred tax asset has not been recognised in respect of these capital losses due to uncertainty surrounding the Company's future expectation of chargeable capital gains.

On 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% (2016: 17.77%) representing the rate at which the deferred tax balances are expected to unwind.

14. Called up share capital

(a) Authorised share capital

	2017	2016
	£000	£000
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Notes to the financial statements

at 31 December 2017

14. Called up share capital (continued)

(b) Issued share capital

Allocated, called up and fully paid:

	Ordinary shares of £1 each	
	<i>Number of shares</i>	<i>Nominal value</i>
	<i>£000</i>	<i>£000</i>
As at 1 January 2017	21,050	21,050
Issued during the year	-	-
As at 31 December 2017	<u>21,050</u>	<u>21,050</u>

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

15. Parent undertaking

The Company's immediate parent undertaking is Tradition Service Holding S.A., a company registered in Switzerland. Tradition Service Holding S.A. in turn is a subsidiary 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.

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.

16. 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 other related parties are as follows:

<i>Related party</i>	<i>Amounts owed by related party £000</i>	<i>Amounts owed to related party £000</i>
Joint ventures		
2017	-	56
2016	-	157
Shareholder and associated companies		
2017	24,192	9,154
2016	23,151	6,993

Notes to the financial statements

at 31 December 2017

16. Related party transactions (continued)

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. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2017, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2016: £nil).

17. 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 15).

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 finance obtained from its immediate parent company, Tradition Service Holding S.A

18. Derivative financial instruments

The Company uses derivative financial instruments such as forward currency to hedge its risks associated with foreign currency fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The forward contracts are recorded at fair value. The maturity profiles of the current year contracts within assets are set to mature within 3 months (£73k) and the contracts recorded in liabilities are set to mature within 3 months (£6k) and between 3 and 6 months (7k).

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

	2017 £000	2016 £000
Current financial assets		
Forward foreign currency contracts	<u>73</u>	<u>45</u>
Current financial liabilities		
Forward foreign currency contracts	<u>13</u>	<u>127</u>

Notes to the financial statements

at 31 December 2017

19. Analysis of financial assets and liabilities by measurement basis

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

	<i>Loans and receivables</i>	<i>Financial assets and liabilities at amortised cost</i>	<i>Financial assets and liabilities at fair value through profit or loss</i>	<i>Total</i>
	£000	£000	£000	£000
2017				
Assets				
Cash at bank and in hand	9,849	-	-	9,849
Trade debtors	10,738	-	-	10,738
FX forward contract	-	-	73	73
Amounts due from group undertakings	21,092	-	-	21,092
Loan receivable from group undertaking	3,100	-	-	3,100
Investments – non-current	92	-	21	113
Total financial assets	44,871	-	94	44,965
Total non-financial assets				2,137
Total assets				47,102
Liabilities				
Trade creditors	-	208	-	208
FX forward contract	-	-	13	13
Amounts due to group undertakings	-	6,110	-	6,110
Loan due to group undertaking	-	3,100	-	3,100
Total financial assets	-	9,418	13	9,431
Total non-financial assets				14,034
Total liabilities				23,465
	<i>Loans and receivables</i>	<i>Financial assets and liabilities at amortised cost</i>	<i>Financial assets and liabilities at fair value through profit or loss</i>	<i>Total</i>
	£000	£000	£000	£000
Cash at bank and in hand	9,895	-	-	9,895
Trade debtors	9,938	-	-	9,938
FX forward contract	-	-	45	45
Amounts due from group undertakings	20,051	-	-	20,051
Loan receivable from group undertaking	3,100	-	-	3,100
Investments – non-current	92	-	26	118
Total financial assets	43,076	-	71	43,147
Total non-financial assets				2,014
Total assets				45,161
Liabilities				
Trade creditors	-	297	-	297
FX forward contract	-	-	127	127
Amounts due to group undertakings	-	4,050	-	4,050
Loan due to group undertaking	-	3,100	-	3,100
Total financial assets	-	7,447	127	7,574
Total non-financial assets				15,212
Total liabilities				22,786

Notes to the financial statements

at 31 December 2017

20. Fair value of financial assets and liabilities

Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

There are no material differences between the carrying value and the fair value of financial assets and liabilities at amortised cost as at 31 December 2017 and 31 December 2016.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

As at 31 December, the Company held the following financial instruments measured at fair value:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
2017				
Assets measured at fair value				
Available for sale financial instruments - unlisted	4	-	-	4
Available for sale financial instruments at fair value through other comprehensive income	17	-	17	-
FX forward contract	73	-	73	-
Liabilities measured at fair value				
FX forward contract	13	-	13	-
2016				
Assets measured at fair value				
Available for sale financial instruments - unlisted	4	-	-	4
Available for sale financial instruments at fair value through other comprehensive income	22	-	22	-
FX forward contract	45	-	45	-
Liabilities measured at fair value				
FX forward contract	127	-	127	-

Notes to the financial statements

at 31 December 2017

21. Financial risk management policies and objectives

The Company is primarily exposed to the following risks:

- Operational risk;
- Credit risk;
- Interest rate risk;
- Market risk;
- Liquidity Risk.

Operational risk

The Company is exposed to operational risk losses in its day-to-day business from penalties, differences and errors in broking activities. Differences arise when transactions arranged by the Company between two counterparties are not completed at the original price. In such circumstances the Company may offer to compensate the counterparty for some or all of the difference between the original price and the transacted price. To manage this risk it is Company policy to complete transactions as quickly as possible at the next best available prices and all transactions should be completed by the end of each day. The

Company is also exposed to the loss of key brokers, which historically it has experienced very rarely. In general, losses due to operational risk have been low in both volume and magnitude by ensuring that controls are adequate and effective to prevent future loss occurrence.

Credit risk

The Company is exposed to two kinds of credit risks; credit default risk which potentially impacts brokerage receivable, 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 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 the 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 Assets as at balance sheet date.

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 bearing assets and liabilities exist, they are typically of short maturity (less than 12 months) and consequently this risk is marginal. Moreover, the bank pooling facility in place for the Tradition London 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.

Notes to the financial statements

at 31 December 2017

21. Financial risk management policies and objectives (continued)

Interest rate risk (continued)

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

	<i>Profit or loss</i> <i>100 bps increase</i> £000	<i>Profit or loss</i> <i>100 bps decrease</i> £000
2017		
Amounts due from group undertakings	31	(31)
Amounts due to group undertakings	(31)	31
2016		
Amounts due from group undertakings	31	(31)
Amounts due to group undertakings	(31)	31

Market 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. It is Company policy to monitor foreign currency bank balances daily and,

In order to minimise such risk, sells down surplus foreign currency balances on a regular basis. Moreover the risk management function, applies a hedging policy to proactively reduce foreign currency risk across the balance sheet.

The table below 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.

	<i>% Movement in</i> <i>Currency Rates</i>	<i>Effect on Net</i> <i>Profit £000</i>	<i>Effect on</i> <i>Equity</i> £000
2017			
Currency			
EUR	5%	(147)	(147)
USD	5%	(48)	(48)
EUR	(5%)	163	163
USD	(5%)	53	53
2016			
Currency			
EUR	5%	(172)	(172)
USD	5%	(101)	(101)
EUR	(5%)	190	190
USD	(5%)	112	112

Notes to the financial statements

at 31 December 2017

21. Financial risk management policies and objectives (continued)

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 table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2017 and 2016 based on contractual undiscounted payments.

<i>Year Ended 31 December 2017</i>	<i>On demand £000</i>	<i>Less than 3 months £000</i>	<i>3 to 12 months £000</i>	<i>Total £000</i>
Non-derivative Financial Liabilities				
Interest bearing loans & borrowings	-	-	3,100	3,100
Trade and other creditors	2,950	12,443	4,959	20,352
	2,950	12,443	8,059	23,452
Derivative Financial Liabilities				
Foreign exchange forward contracts	-	6	7	13
Total	2,950	12,449	8,066	23,465
<i>Year Ended 31 December 2016</i>	<i>On demand £000</i>	<i>Less than 3 months £000</i>	<i>3 to 12 months £000</i>	<i>Total £000</i>
Non-derivative Financial Liabilities				
Interest bearing loans & borrowings	-	-	3,100	3,100
Trade and other creditors	2,466	13,144	3,950	19,559
	2,466	13,144	7,050	22,659
Derivative Financial Liabilities				
Foreign exchange forward contracts	-	80	47	127
Total	2,466	13,224	7,097	22,786

Notes to the financial statements

at 31 December 2017

21. Financial risk management policies and objectives (continued)

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 London 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.

Transactional Liquidity

The most significant element of funding liquidity risk arises out of the requirement to potentially finance failed trades and margin calls however this risk is borne by Tradition London Clearing Limited (TLC).

TLC 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.

22. Composite guarantee

The Company shares an unlimited intercompany bank liability pooling facility with other Tradition London group entities.

23. Country by Country Reporting

HM Treasury has adopted the requirements set out under the Capital Requirements Directive IV (CRD IV) and subsequently issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014.

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

For Regulatory Consolidation, the tables on the next page outline the entities that form part of the Tradition (UK) Limited Consolidated Group for each of 2016 and 2017.

Notes to the financial statements

at 31 December 2017

23. Country by Country Reporting (continued)

Entity	Tradition (UK) Limited	Tradition Government Bond Brokers and Derivatives Brokers Proprietary Ltd	Total As at Dec 2017
Nature of Activities	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker
Geographical Location	UK	South Africa	Consolidated
	£'000's	£'000's	£'000's
Turnover	83,756	8,097	91,853
Employees	199	25	224
Profit / (Loss) before Tax	1,795	2,345	4,140
Tax Received/(Paid)	11	(597)	(586)

Entity	Tradition (UK) Limited	Tradition Government Bond Brokers and Derivatives Brokers Proprietary Ltd	Total As at Dec 2016
Nature of Activities	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker
Geographical Location	UK	South Africa	Consolidated
	£'000's	£'000's	£'000's
Turnover	87,891	7,378	95,269
Employees	201	23	224
Profit / (Loss) before Tax	(614)	2,078	1,464
Tax Received/(Paid)	(35)	(702)	(737)

Notes:

1. The UK legal entities listed above are regulated by the Financial Conduct Authority (FCA) and subject to the requirement of CRD IV Article 89.
2. Tradition Government Bond Brokers and Derivatives Ltd is a subsidiary of Tradition (UK) Ltd based in South Africa and forms part of the Tradition (UK) Ltd consolidated sub group for FCA reporting purposes and has therefore been included in this reporting.
3. Tax paid represents actual corporation tax payments physically paid to HMRC by each entity during the financial year, after any reallocations under the Group Payment Arrangement. Corporation tax paid in any given year does not generally relate to the profits earned in the same 12 month period, as tax on profits is paid across multiple years, and taxable profits are calculated based on tax legislation and can differ from accounting profits.
4. There were no public subsidies received in any Geographical Location in either year.

Notes to the financial statements

at 31 December 2017

24. Restatement of prior year balances

During 2017 an error in the Value Added Tax (VAT) treatment of intercompany charges was self-identified. As such, a Voluntary Declaration has been undertaken by the Company for the four years ending December 2017. The total output tax identified as underpaid was £499k (£153k relating to 2017 and £346k relating to the previous years).

The prior year in these financial statements includes the following restatements;

- Recognition of a VAT creditor and VAT expense in relation to the 2016 component of the Voluntary Declaration. A decrease to Debtors: Other taxation and social security of £48k, increase to Creditors: Other taxation and social security of £87k, and increase in Administrative Expenses of £135k.
- Recognition of the Deferred Tax temporary difference on the 2016 VAT expense, on which corporation tax relief will be taken in 2017. An increase to Deferred Tax by £26k and decrease tax on profit on ordinary activities by £26k).
- Recognition of a VAT creditor and Retained Earnings in relation to the 2014-2015 component of the Voluntary Declaration. An increase to Creditors: Other taxation and social security of £211k, and a decrease in opening Retained Earnings of £211k.
- Recognition of the Deferred Tax temporary difference on the 2014-2015 VAT expense, on which corporation tax relief will be taken in 2017. An increase to Deferred Tax of £41k and an increase in opening Retained Earnings of £41k.

<i>Statement</i>	<i>Classification</i>	<i>2016 Signed Financials</i>	<i>PY Restatement</i>	<i>2016 Restated Balance</i>
Statement of Financial Position	Current Assets: Debtors	35,016	(48)	34,968
Statement of Financial Position	Current Assets: Deferred Tax	113	67	180
Statement of Financial Position	Current Liabilities: Creditors	(22,482)	(298)	(22,780)
Statement of Financial Position	Profit & Loss Account	(1,582)	279	(1,303)
Statement of Comprehensive Income	Administrative Expenses	91,712	135	91,847
Statement of Comprehensive Income	Tax on loss on ordinary activities	69	(26)	43
Statement of Comprehensive Income	Loss on ordinary activities after tax	(548)	(109)	(657)
Statement of Changes in Equity	Retained Earnings – 1 January 2016	2,130	(170)	1,960
Statement of Changes in Equity	Loss for the year – 2016	(548)	(109)	(657)