Tradition Financial Services Limited

Strategic Report, Directors' Report and Statutory Financial Statements

31 December 2018

Registered No: 1046064

Contents

General information

Directors	M Abbott (Chairperson) M Anderson C Baillet F Brisebois H de Carmoy M Leibowitz D Marcus M McCaig S Vjestica W Wostyn
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 2018.

Results and dividends

Tradition Financial Services Limited (the "Company") recognised a profit for the year after taxation of £5,361k (2017: £2,245k) as shown in the Statement of Comprehensive Income on page 10. The directors do not recommend paying a final dividend (2017: £nil). No interim dividend was paid (2017: £nil).

Principal activities and review of the business

The Company's principal activities are broking of energy, commodity, other financial and non-financial products and environmental instruments. The Company for the period of the accounts was authorised and regulated by the Financial Conduct Authority.

The Company is an entity within the Tradition UK Group which also comprises TFS Derivatives Limited, Tradition (UK) Limited, ParFX (UK) Limited, Tradition London Clearing Limited, Tradition Management Services Limited and TFS-ICAP Limited a joint venture where the Group has a minority holding.

The Company has key regulatory indicators including regulatory capital, which is monitored on an on-going basis. The Company's other key financial indicators are turnover and operating profit. Turnover decreased by 0.5% from £57,146k to £56,840k, but operating profit for the year increased to £4,584k (2017: £1,240k), reflecting the transfer of the Elixium desk (a repo / collateral venture) into Tradition (UK) Limited (2017: £3,724k)

In 2017 Elixium (a repo / collateral venture) was transferred into the Company from Tradition (UK) Limited, another entity within the Tradition UK Group. The transfer in accounted for a significant portion of the total administrative expenses incurred during the year (£3,724k or 7%). The transfer in had no impact on the tax position of the overall Tradition UK Group as both entities are part of the same tax group. In 2018 Elixium has been transferred out of the Company, and back into Tradition (UK) Limited.

The Company also recognised other income relating to the provision of electronic data to third parties (data sales) of £2,141k (2017: £1,792k) and net interest receivable of £212k (2017: £62k). The resulting profit for the year after taxation was £5,361k (2017: £2,245k), increasing shareholders' funds from £26,037k to £31,398k.

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.

Principal risks and uncertainties

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 during 2019. The United Kingdom was due to leave the European Union on 29th March 2019 however it currently appears that the leave date will be postponed. At present it is unclear whether there will be a political agreement on this departure and the consequences of this on, for example, the ability to service clients in the EU27 from the United Kingdom and to access venues in the EU27 from the United Kingdom.

The Tradition UK Group has put into action contingency plans to aim to ensure as far as is possible continuity of service to clients. As significant uncertainty still exists around what Brexit will actually mean for the UK financial markets, and the company this has been recorded on the risk register. The Tradition UK Board has also resolved to form a Brexit Committee to consider and debate the issues and the findings will be shared with the management of the Company.

Strategic report

Principal risks and uncertainties (continued)

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, liquidity, conduct, legal and reputational risk. As it does not 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. (See note 23: Financial risk management policies and objectives). The Company operates in a competitive environment and therefore is also subject to changes in markets or the actions of competitors.

By order of the board

P Weston
Company Secretary
27 March 2019

Directors' report

Registered No: 1046064

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors and their interests

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

M Abbott
M Anderson
C Baillet
F Brisebois
H de Carmoy
M Leibowitz
D Marcus
M McCaig
S A Umpelby (resigned 1 February 2019)
S Vjestica
W Wostyn

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

Directors' liabilities

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

Going concern

The directors are satisfied that the Company has adequate resources to continue to operate for 12 months from the reporting date 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 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 operational, market, foreign currency, interest rate, credit, price and liquidity risk information on how these risks arise are detailed in Note 23, as are the objectives, policies and processes for their management and the methods used to measure each risk.

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. The current year contracts recorded in assets mature within 3 months (£21k) and between 3 months and 6 months (£14k) whereas the contracts recorded in liabilities mature within 3 months (£45k) and between 3 months and 6 months (£99k).

Directors' report

Registered No: 1046064

Donations

During the year the Company made charitable donations of £nil (2017:£2k).

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.

Subsequent events

Post balance sheet close the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 11,500,000 ordinary shares of £1 each to Tradition Financial Services SA in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection has increased the share capital of the Company from £250k to £11,750k.

In addition to the capital injection, TFS Lausanne SA also injected cash of £14.35m before the end of Feb 2019 (Loan Facility of £4.35m plus cash injection of £10m).

Future developments

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

Auditors

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

By order of the board

P Weston

Company Secretary

27 March 2019

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 Financial Services Limited

Opinion

We have audited the financial statements of Tradition Financial Services Ltd ("The Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, 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 2018 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.

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 March 2019

Statement of Comprehensive Income

as at 31 December 2018

	Notes	2018 £000	2017 £000
Revenue		14,361	16,294
Intra group revenue transfer		42,479	40,852
Turnover	3	56,840	57,146
Administrative expenses		(52,256)	(55,906)
Operating profit	4	4,584	1,240
Other income		2,141	1,792
Profit before interest and tax		6,725	3,032
Interest receivable	5	218	69
Interest payable	6	(6)	(7)
Profit on ordinary activities before tax		6,937	3,094
Tax on profit on ordinary activities	9	(1,576)	(849)
Profit for the year		**5,361**	**2,245**

The notes on pages 13 – 37 form part of these financial statements.

Balance Sheet
as at 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Fixed assets			
Investments – non-current	10	1,687	1,687
Current assets			
Deferred tax	13	97	84
Trade and other receivables	11	45,514	34,697
Cash at bank and in hand	15	6,120	6,170
		51,731	40,951
Current liabilities			
Creditors: amounts falling due within one year	12	(20,972)	(16,438)
Corporation tax		(1,048)	(163)
		(22,020)	(16,601)
Net current assets		**29,711**	**24,350**
Total assets less current liabilities		**31,398**	**26,037**
Capital and reserves			
Called up share capital	14	250	250
Profit and loss account		31,148	25,787
Shareholders' funds		**31,398**	**26,037**

Prior Year restatement reclassifies an amount of £14k between 'Trade and other receivables' and 'Creditors: amounts falling due within one year'.

The notes on pages 13 – 37 form part of these financial statements.

The financial statements were approved and authorised for the issue by the board of directors on 27 March 2019 and were signed on its behalf by:

M Anderson
Director

Statement of Changes in Equity

at 31 December 2018

	Share capital	*Retained earnings*	*Total equity*
	£000	*£000*	*£000*
At 1 January 2017	250	23,542	23,792
Profit for the year	-	2,245	2,245
At 31 December 2017	250	25,787	26,037
At 1 January 2018	250	25,787	26,037
Profit for the year	-	5,361	5,361
At 31 December 2018	**250**	**31,148**	**31,398**

Post balance sheet close the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 11,500,000 ordinary shares of £1 each to Tradition Financial Services SA in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection has increased the share capital of the Company from £250k to £11,750k.

The notes on pages 13 – 37 form part of these financial statements.

Notes to the financial statements

at 31 December 2018

1. Authorisation of financial statements

The financial statements of Tradition Financial Services Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 26 March 2019, and signed on behalf of the Board by M Anderson. The directors have the power to amend and reissue the financial statements. Tradition Financial Services Limited is a private limited company and is incorporated, registered and domiciled 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

The Company adopted the following standards as of 1 January 2018;

Standard	Name	Effective Date
IFRS 9	'Financial Instruments'	1 January 2018
IFRS 15	''Revenue from contracts with customers'	1 January 2018

IFRS 9 'Financial Instruments' replaces IAS 39. The Company has elected to apply this standard using a modified retrospective approach where the comparative period is presented in accordance with IAS 39. The adoption of IFRS 9 at 1 January 2018 entailed a change in the way financial instruments are presented on the balance sheet, but has no significant impact on their measurement. See Note 26 for the Transition Disclosure and for further information on IFRS 9 please see Note 2.11.

IFRS 15 'Revenue from contracts with customers' outlines the principles an entity must apply to measure and recognise revenue. The Company has elected to apply this standard using a modified retrospective approach where the comparative period is presented in accordance with IAS 18. There was no catch up recorded in the Retained Earnings as of 1 January 2018. The new Standard establishes a five-step model to account for revenue derived from contracts with customers. 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. For further information on IFRS 15 see Note 2.4.

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 16 'Leases' will be applicable as of 1 January 2019 and requires lessees to account for all leases under a single on-balance sheet model. The Company will apply this standard using a modified retrospective approach where IFRS 16 will be applied only to contracts that are ongoing as at 31 December 2018. The comparative period will be presented in accordance with IAS 17. The Company does not have any ongoing lease contracts as at 31 December 2018 and thus does not expect any impact on its financial statements from the initial application of IFRS 16.

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.3 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;

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 and balance sheet recognition

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

Agency Transactions (name give up)

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

Data Sales

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

Disaggregation of Revenue from Contracts with Customers

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

	2018	*2017*
Type of Contract:	*£000*	*£000*
- Agency Transactions – Energy & environmental commodities	56,840	57,146
- Provision of Data	2,141	1,792
Total Revenue from Contracts with Customers	58,981	58,938

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

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.

Monetary assets and liabilities expressed in foreign currencies are retranslated into sterling at the rates of exchange ruling on the first day of the month in which the transactions take place and are revalued at the year end. Gains and losses on foreign exchange are included in arriving at the profit or loss before taxation.

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:

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

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

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

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

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.

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.11 Financial instruments

IFRS 9 'Financial Instruments' was adopted with effect from 1 January 2018 and entailed a change in the way financial instruments are presented on the balance sheet, but has no impact on measurement. The comparative period has not been restated and is shown in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

i) Financial assets

Initial recognition and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments (i) amortised cost, (ii) fair value through other comprehensive income ("FVOCI") and (iii) fair value through profit or loss ("FVTPL"). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

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

Receivables are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at fair value; financial assets not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition of the asset.

Subsequent measurement

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

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

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

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

Financial assets at amortised cost

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

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

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

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.11 Financial Instruments (continued)

i) Financial assets (continued)

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit of loss

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

Other equity instruments are measured at fair value through profit or loss as are derivative financial instruments except if the derivative instrument is designated as a hedging instrument.

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model applies to financial assets measured at amortised cost and debt investments FVOCI but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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

- 12 month ECLs: these are ECLs that result from expected default events within 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

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

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

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

iii) Financial liabilities

Initial recognition and measurement

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

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.11 Financial Instruments (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost

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

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

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

Derecognition of financial liabilities

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.

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 re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.12 Transferred Receivables

The carrying amount of the trade receivables includes receivables which have been purchased as part of a factoring arrangement. Under this arrangement, the Company has purchased the Equity Trade Receivables from TFS Derivatives Limited (a wholly owned subsidiary) that are older than one month at reporting date. The trade receivables were transferred without right to recourse for an amount equivalent to 99% of the outstanding principal balance. Thus, the Company bears the credit risk on these transferred assets. The purchase price of the transferred assets has been offset against an intercompany loan with the same counterparty.

2.13 Investments – non-current

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

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 net realisable value 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 16 to these financial statements.

2.17 Share-based payments

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

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

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

2.18 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. Turnover and segmental reporting

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

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

4. Operating profit

This is stated after charging:

	2018	*2017*
	£000	*£000*
(Loss) on foreign exchange	(415)	(188)
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the annual accounts	100	95
	100	95

5. Interest receivable

	2018	*2017*
	£000	*£000*
Interest receivable on bank deposits	-	1
Interest receivable on balances due from group companies	218	68
	218	69

6. Interest payable

	2018	*2017*
	£000	*£'000*
Other interest payable	(6)	(7)
	(6)	(7)

Notes to the financial statements

at 31 December 2018

7. Directors' remuneration

	2018	*2017*
	£000	*£000*
Directors' remuneration	2,709	2,940
Pension contribution	3	3
	2,712	2,943
Remuneration of highest paid director	2,128	2,304
Pension contribution	2	2
	2,130	2,306

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

The number and total amount of loans to directors, connected persons and officers outstanding as at 31 December 2018 were 1 (2017: 1) and £573k (2017: £666k) respectively.

The terms and conditions of these loans are as follows:

Interest Rate – the loan is interest free.

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

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

8. Staff costs

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

	2018	*2017*
	£000	*£000*
Wages and salary costs	32,106	32,519
National insurance contributions	4,436	4,382
Other pension, life assurance and staff benefits	396	385
	36,938	37,286

Notes to the financial statements

at 31 December 2018

8. Staff costs (continued)

Average number of persons employed (including directors):

	2018 *No.*	*2017* *No.*
Dealing	58	67
Administration	25	22
	83	89

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 £104k (2017: £121k). The amount of outstanding pension contributions at the year-end is £nil (2017: £nil).

9. Taxation

	2018 *£000*	*2017* *£000*
UK corporation tax charge – current year	1,583	842
Double tax relief	(8)	(14)
UK corporation tax (credit) – prior year	-	(13)
Overseas tax	14	14
	1,589	829
Deferred tax movement (note 13)	(13)	20
Total tax charge for the year	1,576	849

Reconciliation of the total tax charge for the year

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

	2018 *£000*	*2017* *£000*
Profit before tax	6,937	3,094
At average rate of corporation tax of 19.00% (2017: 19.25%)	1,318	596
Expenses not allowable for tax purposes	288	302
Adjustment in respect of prior years – current tax	-	(13)
Overseas tax	14	14
Increase / (reduction) in corporation tax rate	1	(2)
Transfer pricing adjustment	(37)	(34)
Double tax relief	(8)	(14)
Total tax charge reported in the statement of comprehensive income	1,576	849

Notes to the financial statements

at 31 December 2018

10. Investments – non-current

Subsidiary and non-subsidiary investments are as follows:

	2018	*2017*
	£000	*£000*
Cost:		
At 1 January	1,687	1,687
Additions	-	-
Adjustment	-	-
At 31 December	1,687	1,687

The non- subsidiary investment is a London Golf Club debenture and is £42k (2017: £42k).

The investments in subsidiary companies comprise investments in ordinary shares, and are set out below:

Subsidiary	*Country of incorporation*	*Type of shares held*	*Proportion of voting rights held*	*Nature of business*	*2018 £000*	*2017 £000*
TFS-ICAP Holdings Limited (Beaufort House, 15 St Botolph Street, London, EC3A 7QX, UK)	England	Ordinary	55.00%	Holding Company	6	6
TFS Derivatives Limited (Beaufort House, 15 St Botolph Street, London, EC3A 7QX, UK)	England	Ordinary	100.00%	Broking	1,200	1,200
TFS Futures and Options SA (Pty) Ltd (Killarney Block 5, Fourways Golf Park, Roos Street, Fourways, Johannesburg 2055, South Africa)	South Africa	Ordinary	100.00%	Dormant	20	20
TFS Securities (Pty) Ltd (Killarney Block 5, Fourways Golf Park, Roos Street, Fourways, Johannesburg 2055, South Africa)	South Africa	Ordinary	74.90%	Broking	51	51
TFS Israel (Brokers) Ltd (Discount Tower, 30th Floor, 23 Yehuda Halevi Street, Tel Aviv 65136, Israel)	Israel	Ordinary	80.00%	Broking	368	368

Notes to the financial statements
at 31 December 2018

11. Trade and other receivables

	2018	Restated 2017
	£000	*£000*
Trade debtors	22,872	13,437
Other debtors	632	830
Foreign exchange forward contracts	35	163
Prepayments and accrued income	1,717	3,179
Amounts due from group undertakings	20,258	17,088
	45,514	34,697

Prior Year restatement reclassifies an amount of £14k between 'Trade and other receivables' and 'Creditors: amounts falling due within one year'.

The amounts due from group undertakings include a loan with Tradition Management Services Limited, a fellow subsidiary undertaking of the ultimate parent company, Viel et Compagnie Finance SE. of £2,024k (2017: £2,024k) which is unsecured, repayable on demand and bears interest at 1.25% p.a. (2017: 1.25% p.a.).

The amounts due from group undertakings also include a loan with TFS Derivatives Limited, a fellow subsidiary undertaking of the Tradition UK group of £3,000k. The loan is unsecured, bears interest of 2% (2017: 2%) and has no fixed date for payment.

The year on year increase in Trade Debtors predominantly relates to the Debt Factoring of the equity client debt of TFS Derivatives Limited, a fellow subsidiary undertaking of the Tradition UK group. The factored debt amounts to £6,867k (2017: £nil). See Note 2.12 Transferred Receivables for more information.

12. Creditors: amounts falling due within one year

	2018	Restated 2017
	£000	*£000*
Trade creditors	13	14
Accruals and other creditors	7,965	7,251
Foreign exchange forward contracts	144	9
Other taxation and social security	822	581
Amounts due to group undertakings	12,028	8,583
	20,972	16,438

Prior Year restatement reclassifies an amount of £14k between 'Trade and other receivables' and 'Creditors: amounts falling due within one year'.

Notes to the financial statements

at 31 December 2018

13. Deferred tax asset

	2018	*2017*
	£000	*£000*
Other short term temporary differences	26	1
Depreciation in excess of capital allowances	71	83
	97	84
Asset at start of year	84	104
Charge for the year	14	(22)
Reduction in corporate tax rate	(1)	2
Asset at end of year	97	84

The Company has unutilised capital losses arising of £890k (2017: £890k) that are available for offset against future capital gains. A deferred tax asset has not been recognised in respect of these capital losses due to uncertainty surrounding the Company's future expectation of chargeable capital gains.

On 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% (2017: 17.00%) representing the rate at which the deferred tax balances are expected to unwind.

14. Called up share capital

	2018	*2017*
	£000	*£000*
Authorised, allotted and fully paid:		
250,000 ordinary shares of £1 each	250	250

Post balance sheet close the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 11,500,000 ordinary shares of £1 each to Tradition Financial Services SA in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection has increased the share capital of the Company from £250k to £11,750k.

15. Cash and cash equivalent

Cash and cash equivalents comprise the following at 31 December:

	2018	*2017*
	£000	*£000*
Cash at bank and on hand	6,120	6,170
Cash and cash equivalents	6,120	6,170

Notes to the financial statements

at 31 December 2018

16. Share-based payments

The cost of share-based payments in 2018 amounted to £ 130k (2017: £nil).

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

	2018		*2017 Restated*	
	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Outstanding at beginning of the year	2.50	30,000	-	-
Granted	2.50	20,000	2.50	30,000
Exercised	-	-	-	-
Lapsed	-	-	-	-
Cancelled				
Outstanding at end of the year	2.50	50,000	2.50	30,000
Exercisable at end of the year	-	-	-	-

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

An analysis of the outstanding employee share options at 31 December 2018, as applicable to the Company is shown below:

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

Exercise conditions

i. Options granted may only be exercised by employees of the group.

ii. The share price must have been above these thresholds for 10 consecutive days in the 12 months preceding the exercise date.

Notes to the financial statements

at 31 December 2018

17. Parent undertaking

The Company's immediate parent undertaking is Tradition Financial Services SA, a company registered in Switzerland. Tradition Financial Services SA in turn is a subsidiary of Compagnie Financière Tradition SA which is also registered in Switzerland. Compagnie Finance 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.

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		
2018	209	-
2017	161	-
Shareholder and associated companies		
2018	20,049	12,028
2017	16,927	8,583

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

Terms & Conditions

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

The Company has not provided or benefited from any guarantees or commitments for any related party receivables or payables. During the year ended 31 December 2018, the Company has not made any allowance for expected credit losses relating to amounts owed by related parties (2017: £nil).

19. Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The forward contracts are recorded at fair value. The current year contracts recorded in assets mature within 3 months (£21k) and between 3 months and 6 months (£14k) whereas the contracts recorded in liabilities mature within 3 months (£45k) and between 3 months and 6 months (£99k). The fair value of the derivatives held at the balance sheet date, determined by reference to their market value is as follows:

	2018	*2017*
	£000	*£000*
Current financial assets		
Forward foreign currency contracts	35	163
Current financial liabilities		
Forward foreign currency contracts	144	9

Notes to the financial statements

at 31 December 2018

20. Analysis of financial assets and liabilities by measurement basis

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2.11 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.

Prior Year restatement reclassifies an amount of £14k between 'Trade and other receivables' and 'Creditors: amounts falling due within one year'.

	Loans and receivables	*Financial assets and liabilities at amortised cost*	*Financial assets and liabilities at fair value through profit or loss*	*Total*
	£000	*£000*	*£000*	*£000*
2018				
Assets				
Trade debtors	-	22,872	-	22,872
Cash at bank and in hand	-	6,120	-	6,120
FX forward contract	-	-	35	35
Other receivables		632		632
Amounts due from group undertakings	-	20,258	-	20,258
Total financial assets	-	49,882	35	49,917
Total non-financial assets				3,501
Total assets				**53,418**
Liabilities				
Trade creditors	-	13	-	13
FX forward contract	-	-	144	144
Amounts due to group undertakings	-	12,028	-	12,028
Total financial liabilities	-	12,041	144	12,185
Total non-financial liabilities				9,835
Total liabilities				**22,020**
2017 (Restated)				
Assets				
Trade debtors	13,437	-	-	13,437
Cash at bank and in hand	6,170	-	-	6,170
FX forward contract	-	-	163	163
Other receivables	830	-	-	830
Amounts due from group undertakings	17,088	-	-	17,088
Total financial assets	37,525	-	163	37,688
Total non-financial assets				4,950
Total assets				**42,638**
Liabilities				
Trade creditors	-	14	-	14
FX forward contract	-	-	9	9
Amounts due to group undertakings	-	8,583	-	8,583
Total financial liabilities	-	8,597	9	8,606
Total non-financial liabilities				7,995
Total liabilities				**16,601**

Notes to the financial statements

at 31 December 2018

21. 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 2018 and 31 December 2017.

Fair value hierarchy

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

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

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

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

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

		Level 1	*Level 2*	*Level 3*
	£000	*£000*	*£000*	*£000*
2018				
Assets measured at FVTPL				
Financial assets at fair value through profit or loss				
FX forward contract	35	-	35	-
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit or loss				
FX forward contract	144	-	144	-
2017				
Assets measured at FVTPL				
Financial assets at fair value through profit or loss				
FX forward contract	163	-	163	-
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit or loss				
FX forward contract	9	-	9	-

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 or Level 3 and Level 2.

Notes to the financial statements

at 31 December 2018

22. Contingent assets

In January 2017 the Company initiated litigation against Oil Brokerage for two "no show" oil brokers who had signed forward dated employment contracts with the Company but ultimately reneged on those contracts. Post the year end, a settlement agreement was reached with Oil Brokerage. IAS 37 requires disclosure of the contingent asset when the inflow of economic benefits is probable. For the purposes of the standard 'probable' means that the event is more likely than not to occur; that is, it has a probability greater than 50%, given that settlement agreement has been signed, the Company has disclosed a contingent assets of £400k after balance sheet date.

23. Financial risk management policies and objectives

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

The Company is primarily exposed to the following risks:

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

Operational risk

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

Credit risk

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

The Company is an interdealer broker serving predominantly banks, financial institutions and major energy companies with high credit ratings. The broking business consists of facilitating contacts between two counterparties to a trade, and receiving a commission for services rendered. The Company's exposure to credit risk is therefore limited to its own claims in connection with these activities. The quality of counterparties is evaluated locally and commission receivables are closely monitored. Where recovery, of all or part of amounts due is in doubt, a provision is set up so that the Statement of Financial Position fairly reflects current expected credit losses. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the reporting date. Oversight of the provision process is undertaken through the Credit Control Committee which also tracks the month to month credit and collections performance of its clients. The maximum credit risk exposure relating to financial assets is represented by the carrying value of financial assets as at the balance sheet date.

Notes to the financial statements

at 31 December 2018

23. Financial risk management policies and objectives (continued)

Loss allowance

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

The closing loss allowances for broking receivables and personal loans as at 31 December 2018 reconcile to the opening loss allowances as follows:

Loss allowance on broking receivables (£000)	*2018*	*2017*
Closing loss allowance as at 31 December 2017 (IAS 39)		(299)
Opening loss allowance as at 1 January 2018 (IFRS 9)	(299)	
Increase in expected credit losses	(23)	-
Write-off's	124	-
Closing loss allowance as at 31 December 2018	(198)	(299)

Loss allowance on personal loans (£000)	*2018*	*2017*
Closing loss allowance as at 31 December 2017 (IAS 39)		-
Opening loss allowance as at 1 January 2018 (IFRS 9)	-	
Increase in expected credit losses	(26)	-
Closing loss allowance as at 31 December 2018	(26)	-

Foreign currency

The Company's revenues are predominantly in USD with smaller amounts in EUR and GBP whilst its cost base is predominantly in GBP. This exposes the Company to foreign currency risk where the settlement of transactions is made in a currency other than GBP. The Company has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than GBP. It is Company policy to monitor foreign currency bank balances daily and, in order to minimise such risk, sells down surplus foreign currency balances on a regular basis. Moreover the risk management function, applies a hedging policy to proactively reduce foreign currency risk across the balance sheet.

The following table indicates the extent to which the Company was exposed to currency risk at 31 December 2018 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.

Notes to the financial statements

at 31 December 2018

23. Financial risk management policies and objectives (continued)

Market risk

	% Movement in Currency Rates	*Effect on Net Profit £000*	*Effect on Equity £000*
2018			
Currency			
EUR	5%	(188)	-
USD	5%	(544)	-
EUR	(5%)	208	-
USD	(5%)	601	-
2017			
Currency			
EUR	5%	(122)	-
USD	5%	(485)	-
EUR	(5%)	135	-
USD	(5%)	536	-

Interest rate risk

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

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

	Profit or (loss) 100 bps increase £000	*Profit or (loss) 100 bps decrease £000*
2018		
Amounts due from group undertakings	61	(61)
2017		
Amounts due from group undertakings	62	(62)

Notes to the financial statements

at 31 December 2018

23. 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 fall due without incurring unacceptable losses. As the Company does not conduct Matched Principal business, the main type of liquidity risk that it is exposed to is balance sheet or working capital liquidity being the need to finance working capital requirements.

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

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments.

Year Ended 31 December 2018	*On demand £000*	*Less than 3 months £000*	*3 to 12 months £000*	*Total £000*
Non-derivative Financial Liabilities				
Trade and other creditors	3,572	8,130	10,174	21,876
Derivative Financial Liabilities				
Foreign exchange forward contracts	-	45	99	144
Total	3,572	8,175	10,273	22,020

Year Ended 31 December 2017 (Restated)	*On demand £000*	*Less than 3 months £000*	*3 to 12 months £000*	*Total £000*
Non-derivative Financial Liabilities				
Trade and other creditors	5,976	7,285	3,331	16,592
Derivative Financial Liabilities				
Foreign exchange forward contracts	-	9	-	9
Total	5,976	7,294	3,331	16,601

Prior Year restatement reclassifies an amount of £14k between 'Trade and other receivables' and 'Creditors: amounts falling due within one year'.

Operational Liquidity

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

Notes to the financial statements

at 31 December 2018

23. Financial risk management policies and objectives (continued)

Liquidity risk (continued)

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.

24. Capital Management

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

Capital is generated internally from shareholder funds. Shareholder funds are in the form of share capital and retained earnings. In addition, the Company can increase its regulatory capital resources through finance obtained from its immediate parent company, Tradition Financial Services S.A. as described in Note 27: Events after balance sheet date.

25. Composite guarantee

The Company shares an external bank overdraft arrangement with other Tradition UK group entities.

Notes to the financial statements
at 31 December 2018

26. Transition disclosures – impact of application of accounting standards

The Company applied IFRS 9 retrospectively at 1 January 2018 but elected not to restate the comparative figures of the previous year, which are presented in accordance with IAS 39.

The table below sets out the impact of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECL's.

	IAS 39 Measurement		*Reclassification*	*ECL*	*IFRS 9 Measurement*	
	Category	*Amount*			*Category*	*Amount*
		£000	*£000*	*£000*		*£000*
Trade Debtors	L&R[1]	13,437	-	-	AC[2]	13,437
Cash at bank and in hand	L&R	6,170	-	-	AC	6,170
Other Receivables	L&R	830	-	-	AC	830
Amounts due from related parties	L&R	17,088	-	-	AC	17,088
	L&R	37,525	-	-	AC	37,525
FX Forwards	FVTPL[3]	163	-	-	FVTPL	163
Total Financial Assets		**37,688**	-	-		**37,688**
Trade Creditor	AC	14	-	-	AC	14
Amounts due to related parties	AC	8,583	-	-	AC	8,583
	AC	8,597	-	-	AC	8,597
FX Forwards	FVTPL	9	-	-	FVTPL	9
Total Financial Liabilities		**8,606**	-	-		**8,606**

[1] L&R: Loans & Receivables

[2] AC: Amortised Cost

[3] FVTPL: FairValue through Profit & Loss

27. Events after Balance Sheet Date

Post balance sheet close the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 11,500,000 ordinary shares of £1 each to Tradition Financial Services SA in exchange for a reduction in an intra-group loan payable to Tradition Financial Services SA. The capital injection has increased the share capital of the Company from £250k to £11,750k.

In addition to the capital injection, TFS Lausanne SA also injected cash of £14.35m before the end of Feb 2019 (Loan Facility of £4.35m plus cash injection of £10m).

Notes to the financial statements

at 31 December 2018

28. Country by Country Reporting

HM Treasury has adopted the requirements set out under the Capital Requirements Directive IV (CRD IV) and subsequently issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014.The legislation requires that Tradition London Group publish certain additional information to that already contained within this Annual Report, on a consolidated basis. For Regulatory Consolidation, the below entities form part of the Tradition Financial Services Limited Consolidated Group.

Entity	Tradition Financial Services Limited	TFS Derivatives Limited	TFS-ICAP Limited	TFS Securities Proprietary Ltd	TFS Israel (Brokers) Limited	**Total As at Dec 2018**
Nature of Activities	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	**Inter-Dealer Broker**
Geographical Location	UK	UK	UK	South Africa	Israel	**Consolidated**
	£'000's	£'000's	£'000's	£'000's	£'000's	**£'000's**
Turnover	56,840	38,803	22,858	1	3,737	**121,635**
Employees	83	86	32	-	11	**212**
Profit / (Loss) before Tax	6,937	(1,414)	1,916	(4)	540	**7,975**
Tax Paid	(697)	(49)	(174)	-	(168)	**(1,089)**

Entity	Tradition Financial Services Limited	TFS Derivatives Limited	TFS-ICAP Limited	TFS Securities Proprietary Ltd	TFS Israel (Brokers) Limited	**Total As at Dec 2017**
Nature of Activities	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	Inter-Dealer Broker	**Inter-Dealer Broker**
Geographical Location	UK	UK	UK	South Africa	Israel	**Consolidated**
	£'000's	£'000's	£'000's	£'000's	£'000's	**£'000's**
Turnover	57,146	27,236	21,100	3	3,165	**108,650**
Employees	89	51	33	-	11	**184**
Profit / (Loss) before Tax	3,094	739	(2,265)	2	362	**1,932**
Tax Paid	(1,620)	(329)	(438)	-	(134)	**(2,521)**

Notes to the financial statements

at 31 December 2018

28. Country by Country Reporting (continued)

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. TFS Israel (Brokers) Ltd is a subsidiary of Tradition Financial Services Ltd based in Israel and TFS Securities Proprietary Ltd is a subsidiary of Tradition Financial Services Ltd based in South Africa. Both these entities form part of the Tradition Financial Services Ltd consolidated sub group for FCA reporting purposes and have therefore included in this reporting.
3. Tax paid represents actual corporation tax payments made by each entity during the financial year. Corporation tax paid in any given year does not generally relate to the profits earned in the same 12 month period, as tax on profits is paid across multiple years, and taxable profits are calculated based on tax legislation and can differ from accounting profits.
4. There were no public subsidies received in any Geographic Location in either year.