TFS Derivatives Limited

Strategic report, Directors' report and statutory financial statements
31 December 2019
Registered no: 4051930

Contents

General information

Directors	M Abbott (Chairperson) M Anderson C Baillet C Bienstock F Brisebois H de Carmoy M Leibowitz D Marcus A Wink S Vjestica W Wostyn
Secretary	M Lau
Registered office	Beaufort House 15 St. Botolph Street London EC3A 7QX
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Bankers	NatWest 120 – 122 Fenchurch Street London EC3M 5AN

Oath or affirmation

I, S Vjestica, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the form of TFS Derivatives Limited, as at 31 December 2019, are correct.

S Vjestica
Director
23 April 2020

Strategic report

The Directors present their strategic report for the year ended 31 December 2019.

Results and dividends

TFS Derivatives Limited (the "Company") recognised a total comprehensive loss for the year after taxation of £2,303k (2018: loss £1,532k) as shown in the statement of comprehensive income on page 13. The directors do not recommend paying a final dividend (2018: nil). No interim dividend was paid (2018: nil).

Principal activities and review of the business

The Company's principal activities are the broking of equity derivatives, structured products and cash equities with its core clients being banks and financial institutions. The Company's product offering also includes FX Agency and Macro Sales and trades under the name Deepwell via a prime broker. The Company has its head office in London and has branches in Paris, Amsterdam, Madrid and Milan.

The Company for the period of the accounts was authorised and regulated by the Financial Conduct Authority ("FCA"). The Company is also registered as an Introducing Broker with the National Futures Association ("NFA") which is the industrywide, self-regulatory organisation for the United States derivatives industry, and acts as an Introducing Broker to the Tradition UK entities Swap Execution Facility ("SEF").

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

The Company has key regulatory indicators including regulatory capital, which is monitored on an on-going basis. The Company's other key financial indicators are turnover and operating profit. Turnover increased from £38,803k to £51,748k, an increase of 33%. The increase in revenue is mainly attributed to developing product offerings and branch expansion.

The operating loss for the year was £2,192k (2018: loss £1,193k). Administrative expenses increased from £39,996k to £53,940k, an increase of 35%. The increase in administrative expenses is mainly due to increased staff costs with the hiring of new brokers to further expand the business. After allowing for net interest payable of £282k (2018: £386k) and other comprehensive income relating to the net effect of foreign exchange translation of the branch results of £39k (2018: (£7k)), the Company recognised a total comprehensive loss for the year after taxation of £2,303k (2018: loss £1,532k).

The Company undertook significant hiring in 2019 as can be seen in Note 8: Staff Costs. As on boarding relating to the new hires continues the expectation is that revenue will continue to increase as the Company progresses through the initial lead time as is usual with recruitment.

Corporate Restructure

On 31 December 2019 as part of a wider corporate restructure the shareholding of the Company was transferred by way of a dividend in kind from Tradition Financial Services Limited, a company registered in the UK to Tradition UK Holdings Limited, a newly created holding company incorporated in the UK. There was no change to the share capital of the Company as a result of the transaction. At the 2019 reporting date, the Company's immediate parent is Tradition UK Holdings Limited.

Principal risks and uncertainties

Coronavirus disease 2019 ("COVID-19")

The COVID-19 pandemic is resulting in significant volatility in financial markets as well as disruptions to people's lives as a result of preventative measures at a national and global level. Currently, the Tradition UK group have seen increases in brokerage volumes and therefore revenue as a result of activity in markets. It is unclear as to whether this will continue, whether markets will stabilise, or whether there will be a future period of reduced activity (caused by recession conditions for example).

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

Brexit

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

Other risks

The Company operates as a broker in various financial markets. As such it does not take any proprietary positions and acts solely as an intermediary for clients. The main risks facing the business arising out of its broking activities are operational risk, credit risk, liquidity risk, conduct risk, legal and reputational risk (see note 26: Financial risk management policies and objectives). The Company operates a matched principal business and hence clears, via a third party, its cash equities business and its Structured Products business via another entity within the Tradition UK group. As a consequence credit risk and liquidity risk are closely monitored. The Company operates in a competitive environment and therefore is also subject to changes in markets and the actions of competitors.

By order of the Board

S Vjestica
Director
23 April 2020

Directors' report

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

Directors and their interests

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

M Abbott	
M Anderson	
C Baillet	
C Bienstock	(appointed 25 February 2020)
F Brisebois	
H de Carmoy	
M Leibowitz	
A Wink	(appointed 9 March 2020)
D Marcus	
M McCaig	(resigned 25 February 2020)
S 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

With net assets of £30,68430,684k 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 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 26, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Use of derivatives

The Company uses swap and forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The swap and forward contracts are recorded at fair value (see Note 21: Derivative Financial Instruments). The current year contracts within assets mature within one month (£197k), one and three months (£637k) and between three to six months (£13k) and the contracts recorded in liabilities mature between three and six months (£51k).

Events after the balance sheet date

COVID-19 has been declared a global pandemic by the World Health Organisation and many governments are taking stringent steps in order to contain and/or delay the spread of the virus. Many of the actions taken in response to the spread COVID-19 have resulted in significant disruption to normal business operations and an increase in economic uncertainty which in turn impacts the estimation process inherent in financial reporting. See Note 27 for further details on the impact on the Company.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

By order of the Board
S Vjestica
Director
23 April 2020

Statement of Directors' responsibilities in respect of financial statements

The following statement, which should be read in conjunction with the independent auditors report on pages 10 - 12, is made by the directors to explain their responsibilities in relation to the preparation of the Directors' Report, Strategic Report and Financial Statements.

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State that the Company had complied with FRS 101, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of TFS Derivatives Limited

Opinion

We have audited the financial statements of TFS Derivatives Limited ("The Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of cash flows and the related notes 1 to 29 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

In our opinion, the financial statements:

- Give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to Note 27 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting consumer demand, financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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
29 April 2020

Statement of comprehensive income

For the year ended 31 December

	Notes	2019 £'000	Restated 2018 £'000
Revenue		90,932	81,282
Intra-group revenue transfer		(39,184)	(42,479)
Turnover	3	**51,748**	**38,803**
Administrative expenses		(53,940)	(39,996)
Operating loss	4	**(2,192)**	**(1,193)**
Interest receivable	5	39	37
Interest payable	6	(321)	(423)
Loss on ordinary activities before taxation		**(2,474)**	**(1,579)**
Taxation credit	11	131	54
Loss for the year		**(2,343)**	**(1,525)**
Other comprehensive income			
Net effect of exchange translation		39	(7)
Defined benefit re-measurement		1	-
Total comprehensive loss for the year		**(2,303)**	**(1,532)**

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. See Note 28 for further details.

The notes on pages 17 to 48 form part of these financial statements.

Balance sheet

As at 31 December

	Notes	2019 £'000	Restated 2018 £'000
Fixed assets			
Intangible assets	9	82	32
Tangible assets	10	1,470	539
		1,552	571
Current assets			
Trade and other receivables	12	310,658	325,125
Corporation tax		518	88
Deferred tax	16	47	25
Cash at bank and in hand	18	27,626	13,016
		338,849	338,254
Current liabilities			
Creditors: amounts falling due within one year	13	(308,805)	(328,286)
Deferred tax	16	(195)	-
		(309,000)	(328,241)
Net current assets		29,849	9,968
Creditors: amounts falling due after one year	14	(717)	-
Net assets		30,684	10,539
Capital and reserves			
Called up share capital	17	23,700	1,200
Foreign currency translation reserve		32	(7)
Defined benefit re-measurement reserve		1	-
Profit and loss account		6,951	9,346
Shareholders' funds		30,684	10,539

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. See Note 28 for further details.

The notes on pages 17 to 48 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 23 April 2020 and were signed on its behalf by:

S Vjestica
Director

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Foreign currency translation reserve	Defined benefit re-measurement reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	1,200	-	-	10,871	12,071
Currency translation	-	(7)	-	-	(7)
Loss for the year				(1,360)	(1,360)
Prior year correction	-	-	-	(165)	(165)
At 31 December 2018 (restated)	1,200	(7)	-	9,346	10,539
At 1 January 2019	1,200	(7)	-	9,346	10,539
Currency translation	-	39	-	-	39
Defined benefit re-measurement	-	-	1	-	1
Deferred tax adjustment	-	-	-	(52)	(52)
Share capital injection	22,500	-	-	-	22,500
Loss for the year	-	-	-	(2,343)	(2,343)
At 31 December 2019	**23,700**	**32**	**1**	**6,951**	**30,684**

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. See Note 28 for further details.

The 2019 deferred tax adjustment relates to the deferred tax balances in the Milan branch that were reversed on a consolidated basis in prior years before the branch was trading and the future profitability reliably confirmed.

In 2019 the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 22,500,000 ordinary shares of £1 each to Tradition Financial Services Limited in exchange for a reduction in an intra-group loan payable. The capital injection increased the share capital of the Company from £1,200k to £23,700k.

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

The notes on pages 17 to 48 form part of these financial statements.

Statement of cash flows

As at 31 December

	Notes	2019 £'000	Restated 2018 £'000
Operating activities			
Loss before interest and tax		(2,192)	(1,193)
Adjustments to reconcile profit before tax to net cash flows			
Fixed assets opening balance revaluation	9/10	37	-
Fixed assets closing balance revaluation	9/10	(15)	(7)
Depreciation	9/10	466	82
Impairment of goodwill		-	165
Working capital adjustments:			
Decrease / (increase) in debtors		14,589	(99,951)
(Decrease) in creditors		(18,762)	(99,983)
Add back opening lease liability		(1,177)	-
Interest received	5	39	37
Interest paid	6	(321)	(423)
Corporation tax paid		(138)	(49)
Net cash outflows from operating activities		(7,599)	(1,356)
Investing activities			
Purchase of tangible assets	10	(213)	(499)
Purchase of intangible assets	9	(78)	(29)
Net cash used in investing activities		(291)	(528)
Financing activities			
Share issuance	17	22,500	-
Net cash inflows from financing activities		22,500	-
Net cash increase / (decrease) in cash and cash equivalents		14,610	(1,884)
Cash and cash equivalents at 1 January		13,016	14,900
Cash and cash equivalents at 31 December	18	27,626	13,016

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. See Note 28 for further details.

The notes on pages 17 to 48 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. Authorisation of financial statements

The financial statements of TFS Derivatives Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 23 April 2020, and the balance sheet was signed on the Board's behalf by S Vjestica. The directors have the power to amend and reissue the financial statements.

TFS Derivatives Limited is a private limited company and is incorporated, registered and domiciled in England. The nature of its business is described in the Strategic Report.

2. Accounting policies

Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations adopted

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

Standard	Name	Effective date
IFRS 16	Leases	1 January 2019

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

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. At 31 December 2018, the Company had ongoing office lease contracts in London, Madrid, Milan and Amsterdam which were classified as operating leases under IAS 17. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. The right of use assets were measured at an amount equal to the lease liability. The adoption of IFRS 16 on 1 January 2019 gave rise to the recognition of right-of-use assets and lease liabilities of £1,178k without significant impact on net profit.

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

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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

- Comparatives for tangible and intangible fixed asset reconciliations;
- Key management compensation;
- Related party transactions between wholly owned group companies; and
- Impairment of assets.

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

Revenue and balance sheet recognition

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

Agency Transactions (name give up)

Derivatives broking is transacted on an arranging, execution and give up basis. Revenues earned on an agency basis are recognised on trade date (when the transaction is enforced between the counterparties) as there are no further services rendered to the clients once the deal is done. Revenue is recognised net of any 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.

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; Equity Derivatives, 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.

	2019 £'000	2018 £'000
Type of contract		
Agency transactions – equity derivatives	28,248	26,037
Total revenue from contracts with customers	28,248	26,037

The other main source of revenue for the Company relates to Matched Principal transactions where the revenue is built into the price of exchange of financial assets and liabilities. The revenue for Matched Principal transactions is dictated under IFRS 9.

Matched Principal Transactions

Matched Principal trades are completed when both sides of the deal are settled, namely once payment is made and the securities are delivered (matched trades). In order to reflect the substance of these transactions, they are recognised on trade date. Counterparty receivables and payables arising on current transactions that have gone beyond expected settlement date are carried gross on the balance sheet under "trade and other receivables" or "creditors: amounts falling due within one year".

Interest income and expenses

Interest income and expenses are recognised on an accruals basis.

Foreign currencies

The functional currency of the Company is GBP. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are 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.

On consolidation, the assets and liabilities in foreign operations are translated into GBP at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates at the dates of the underlying transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

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

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

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

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

Pensions

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

The Paris branch operates under a defined benefit plan and the net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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

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.

Financial assets at amortised cost

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

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Trade and other receivables are measured at amortised cost using the effective interest method minus impairment losses. *Financial assets at fair value through other comprehensive income*

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

Financial assets at fair value through profit of loss

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

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

ii) Impairment of financial assets

The Company applies the IFRS 9 simplified approach to measuring ECL for all broking receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans have been assessed on an individual basis. The calculated ECL for other financial assets was deemed immaterial and has not been recognised.

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 as financial liabilities at fair value through profit or loss, loans and borrowings. 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.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

v) Derivative financial instruments

The Company uses derivative financial instruments such as swap and forward currency contracts 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 swap and forward currency contracts is calculated by reference to current forward/swap exchange rates for contracts with similar maturity profiles.

Transferred receivables

In 2018 the Company had a factoring arrangement in place with its immediate parent company at the time, Tradition Financial Services Limited, under which its equity trade receivables that were older than one month at reporting date were transferred without a right of recourse for an amount equivalent to 99% of the outstanding principal balance. Thus, the credit risk on the transferred assets is held by Tradition Financial Services Limited. The sale price of the transferred assets was been offset against an intercompany loan with the same counterparty.

In 2019 both parties agreed to mutually terminate the agreement and any equity trade receivables that were previously sold to Tradition Financial Services Limited and remained uncollected at 31 October 2019 were transferred back to the Company, at an amount equivalent to the original sale price together with the expected credit loss on these assets.

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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Company of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible fixed assets

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

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

The following amortisation rates are used:

- Computer software - 3 years; and
- Developed software - 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on the cost of all tangible fixed assets in use during the year at rates calculated to write off the cost of each asset evenly over its expected useful life.

The following depreciation rates are used:

- Computer equipment - 3 years;
- Office furniture and equipment - 5 years; and
- Leasehold improvement - shorter of the lease term or the useful life

Tangible fixed assets include right-of-use assets as defined under IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposit and short-term money-market investments with maturities of three months or less from the date of acquisition.

Cash equivalents are assets that are readily convertible into cash such as government securities and money market investment funds. The Company considers cash and cash equivalents as defined herein to constitute its liquid resources, unless classified as restricted cash and cash equivalents. Restricted cash balances include obligated cash held with the clearers used by the Company. The restricted cash balances have been disclosed separately in Note 18 Cash and cash equivalents.

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 in Compagnie Financière Tradition SA (see Note 19). Fair value is determined at the grant date and amortised over the vesting period. It is determined by an independent expert using the binomial option pricing model and takes account of the general vesting characteristics and conditions prevailing at that date.

Leases

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

Policy applicable from 1 January 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified

asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.
The Company recognises a right-of-use asset and a lease liability from 1 January 2019 (or on commencement date it later). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made before commencement date, less any lease incentives received.

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

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

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

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

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

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

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether;
- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

In the comparative period the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Where applicable, the leased assets were measured initially at an amount equal to the lower of their fair values and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. There were no finance leases in the Company in the comparative period.
All other leasers were classified as operating leases and were not recognised in the statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

The office leases in relation to London, Madrid and Amsterdam were classified as operating leases in the comparative period.

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.

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it may be involved in various litigation, arbitration, and regulatory investigations and proceedings arising in the ordinary course of business. When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

3. Turnover and segmental reporting

Turnover represents commissions receivable from the broking of equity derivatives, structured products, FX agency and cash equities, across the UK, Amsterdam, Madrid, Paris and Milan. Turnover is presented net of any execution, clearing and settlement costs, discounts 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 23 to these financial statements.

4. Operating loss

This is stated after charging:

	2019 £'000	2018 £'000
Loss / (gain) on foreign exchange	244	(141)
Depreciation and amortisation	466	82
Auditors' remuneration:		
Audit of the company's accounts	76	60
Audit of the parent's accounts	26	25
Audit related assurance services	16	15
	118	100

5. Interest receivable

	2019 £'000	2018 £'000
Interest receivable on bank deposits	20	36
Interest receivable on balances due from group companies	19	1
	39	37

6. Interest payable

	2019 £'000	2018 £'000
Interest payable on lease contracts	25	-
Interest payable on bank settlement accounts	264	210
Interest payable on balances due to group companies	32	213
	321	423

7. Directors' remuneration

	2019 £'000	2018 £'000
Directors' remuneration	1,833	1,540
Pension contributions	3	3
	1,836	1,543

	2019 £'000	2018 £'000
Remuneration of the highest paid director	949	1,215
Pension contribution of the highest paid director	2	2
	951	1,217

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

Some of the directors of the Company are remunerated by other Tradition UK group companies or Compagnie Financière Tradition SA group companies and particulars of their remuneration are included within the financial statements of those relevant companies. 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 publically 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 Directors' remuneration total above.

The outstanding share options have been disclosed separately in Note 19 Share-based payments. The number and total amount of loans to directors, connected persons and officers outstanding as at 31 December 2019 were none (2018: 1) and £nil (2018: £253k) respectively.

The terms and conditions of these loans are as follows:

- Amounts – £nil (2018: £253k);
- Interest rate – the loans are interest free;
- Repayment date – the loans are repayable from future bonuses and subject to the terms and conditions below; and
- 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.

8. Staff costs

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

	2019 £'000	Restated 2018 £'000
Wages and salaries	33,322	24,744
National insurance contributions	3,926	3,066
Other pension, life assurance and staff benefits	587	553
	37,835	28,363

The prior year includes a restatement of share based payments totalling £78k from 'National insurance contributions' to 'Wages and salaries'.

Average number of persons employed (including directors):

	2019 No.	2018 No.
Dealing	81	63
Administration	34	23
	115	86

The Company makes contributions at variable rates to eligible employees' pension plans. The pension cost charge represents contributions payable by the Company to the plans amounting to £230k (2018: £213k). Outstanding pension contribution as at 31 December 2019 was £22k (2018: £15k).

9. Intangible fixed assets

	Restated Business goodwill £'000	Computer software £'000	Developed software £'000	Total £'000
Cost:				
At 1 January 2019	165	8	135	308
Revaluation of opening balance	-	-	(3)	(3)
Additions	-	6	72	78
At 31 December 2019	165	14	204	383
Accumulated Impairment & Depreciation:				
At 1 January 2019	165	4	107	276
Charge for the year	-	4	21	25
At 31 December 2019	165	8	128	301
Net book value:				
At 31 December 2019	-	6	76	82
At 31 December 2018	-	4	28	32

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. See note 27 for further details.

The fixed assets held in the foreign branches are recorded locally in EUR. The Company's financial statements are presented in GBP and hence subject to FX fluctuation. The FX revaluation has been presented separately.

10. Tangible fixed assets

	Building right-of-use	Furniture & office equipment	Telephone	Leasehold improvement	Computer equipment	Total
	£,000	£,000	£'000	£'000	£'000	£'000
Cost:						
At 1 Jan 2019	-	44	4	416	132	596
Transfers	-	10	-	-	(10)	-
Revaluation of opening balance	-	(3)	-	(26)	(8)	(37)
IFRS16 additions	1,178	-	-	-	-	1,178
Additions	-	95	-	2	116	213
At 31 Dec 2019	1,178	146	4	392	230	1,950
Depreciation:						
At 1 Jan 2019	-	1	1	43	12	57
Transfers	-	4	-	-	(4)	-
Revaluation of opening balance	-	-	-	(3)	-	(3)
Charge for the year	278	20	1	84	58	441
Revaluation of closing balance	(8)	(5)	-	(3)	1	(15)
At 31 Dec 2019	270	20	2	121	67	480
Net Book Value:						
As at 31 Dec 2019	908	126	2	271	163	1,470
At 31 Dec 2018	-	49	3	373	114	539

The fixed assets held in the foreign branches are recorded locally in EUR. The Company's financial statements are presented in GBP and hence subject to FX fluctuation. The FX revaluation has been presented separately.

Transfers primarily relate to furniture & office equipment that was classified within computer equipment in the prior year financial statements.

11. Taxation

	2019	2018
	£'000	£'000
UK corporation tax credit – current year	(239)	(226)
UK corporation tax charge / (credit) – prior year	(10)	49
Overseas tax	(55)	136
Total corporation tax	(304)	(41)
UK deferred tax movement (see note 16)	(22)	(13)
Overseas deferred tax movement (see note 16)	195	-
Total tax credit for the year	131	(54)

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

	2019 £'000	2018 £'000
Loss before tax	(2,472)	(1,414)
At average rate of corporation tax of 19.0% (2018: 19.0%)	(470)	(269)
Disallowed expenses	299	196
Adjustment in respect of prior years – corporate tax	(10)	49
Adjustment in respect of current year – deferred tax foreign branches	191	-
Corporation tax rate movement	2	2
Reallocations adjustment	-	(122)
Transfer pricing adjustment	(21)	(20)
Unrecognised DTA on pension contributions at current year tax rate	-	(3)
Unrecognised DTA on capital allowances for regional branches	(16)	(3)
Pre-trading expenditure	(39)	-
Overseas tax	(55)	(26)
Overseas tax expensed	(12)	-
Total tax charge / (credit) reported in the statement of comprehensive income	131	(54)

12. Trade and other receivables

	2019 £'000	Restated 2018 £'000
Trade debtors – matched principal	287,956	310,812
Trade debtors – name give up	9,284	2,130
Other debtors	537	877
Forward/swap foreign currency contracts	847	35
Prepayments and accrued income	7,728	9,528
Amounts due from group undertakings	4,306	1,743
	310,658	325,125

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch. The restatement has reclassified the intercompany position with Carax Paris from a receivable of £120k to a payable of £45k.The See Note 28 for further details.

13. Creditors: amounts falling due within one year

	2019	Restated 2018
	£'000	£'000
Trade creditors – matched principal	283,696	268,810
Accruals and other creditors	8,297	5,579
Lease liabilities – current	280	-
Forward/swap foreign currency contracts	51	198
Trade creditors	85	-
Bank overdraft	1,885	28,551
Amounts due to group undertakings	12,642	20,231
Subordinated loan	-	3,000
Other taxation and social security	1,869	1,917
	308,805	328,286

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch. The restatement has reclassified the intercompany position with Carax Paris from a receivable of £120k to a payable of £45k.The See Note 28 for further details.

The subordinated loan in the prior year comprises amounts advanced from Tradition Financial Services Limited, the Company's 2018 immediate parent undertaking. The loan carried an interest rate of 2% during the year (2018: 2%) and had no fixed date for repayment. This loan was classified as a short term loan and formed part of the Company's regulatory capital resources. In 2019 the Company received a share capital injection from Tradition Financial Services Limited in exchange for a reduction in the subordinated loan.

Following the adoption of IFRS 16 Leases on 1 January 2019 the Company has recognised lease liabilities for office leases in Madrid and Amsterdam previously classified as operating leases under IAS 17. Under the modified retrospective approach, the comparative information presented for 2018 has not been restated – that is, it is presented as previously reported under IAS 17 and related interpretations.

14. Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Lease liabilities – non current	717	-

Following the adoption of IFRS 16 Leases on 1 January 2019 the Company has recognised lease liabilities for office leases in Madrid and Amsterdam previously classified as operating leases under IAS 17. In 2019 the Milan branch signed a new lease for six years with an option to extend for a further six years.
Under the modified retrospective approach, the comparative information presented for 2018 has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations.

15. Leases

The Company leases office space for the Madrid, Amsterdam and Milan branches. The original lease terms on these leases were five years for Madrid and two years for Amsterdam. Previously these leases were classified as operating leases under IAS 17.
In 2019 the Milan branch signed a new lease for six years with an option to extend for a further six years.

The information about these leases is presented below:

	2019 £'000	2018 £'000
Right-of-use asset recognised on adoption – 1 January 2019	726	-
New leases signed during 2019 (Milan)	452	
Depreciation charge for the year	(278)	-
Revaluation of closing balance	8	
Balance as at 31 December 2019	908	-

The fixed assets held in the foreign branches are recorded locally in EUR. The Company's financial statements are presented in GBP and hence subject to FX fluctuation. The FX revaluation has been presented separately.

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

	Amsterdam £'000	Madrid £'000	London £'000	Consol £'000
Operating Lease Commitments - 31 Dec 2018	254	628	335	1,218
Discounted present value using incremental borrowing rate – 1 Jan 2019	191	623	312	1,126
Short Term Leases	-	-	(312)	(312)
Lease liabilities recognised at 1 Jan 2019 based on existing contracts at 31 Dec 2018	191	623	-	814
Current lease liabilities	92	156	-	248
Non-current lease liabilities	99	467	-	566

On the initial measurement of lease liabilities at 1 January 2019, the Company used a weighted average incremental borrowing rate of 1.34%.

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

	2019 £'000	2018 £'000
Interest on lease liabilities	24	-
Expenses relating to short-term leases	132	192
Depreciation of right-of-use assets	278	179
Total expense	434	371

16. Deferred taxation

Deferred tax asset

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	11	10
Other short term temporary differences	36	15
	47	25

	2019 £'000	2018 £'000
Asset at the start of the year	25	12
Credit for the year	24	15
Reduction in corporation tax rate	(2)	(2)
Asset at the end of the year	47	25

The Paris branch had unpaid pension contributions of £13k (2018: £15k) that are available for offset against future profits. A deferred tax asset has not been recognised in respect of these unpaid pension contributions due to uncertainty surrounding the branch's future profitability. The Paris branch has been loss making since commencing operations and as at 31 December 2019 had a total unrecognised deferred tax asset of £415k (EUR 474k). The remaining unpaid pension contributions of £9k (2018: nil) were in the Milan branch.

On 16 March 2016 the UK Government announced that the UK corporation tax rate will be reduced to 17% with effect from 1 April 2020. Deferred tax assets have been measured at 17.00% (2018: 17.00%) representing the rate that was enacted or substantively enacted at the reporting date. On 11 March 2020 the UK Government announced that the UK corporate tax rate will remain at 19% from 1 April 2020. As is required, the deferred tax asset will be re-measured once this has been enacted or substantively enacted which would result in an increase in the asset of £5k and would represent the actual rate at which the deferred tax balances are expected to unwind.

Deferred tax liability – Overseas branch

	2019 £'000	2018 £'000
Short term temporary differences	195	-

	2019 £'000	2018 £'000
Liability at the start of the year	-	-
Charge for the year	195	-
Liability at the end of the year	195	-

The deferred tax liability arises from short-term temporary differences in the Milan branch and is measured at 24% representing the rate at which the balance is expected to unwind.

17. Called up share capital

	2019 £'000	2018 £'000
Authorised:		
23,700,000 (2018: 2,000,000) ordinary shares of £1 each	23,700	2,000
	23,700	2,000

	2019 £'000	2018 £'000
Issued and fully paid:		
23,700,000 (2018: 1,200,000) ordinary shares of £1 each	23,700	1,200
	23,700	1,200

In 2019 the Company removed the restriction on authorised share capital following a written resolution passed by the directors on 12th February 2019. The Company subsequently issued a further 22,500,000 ordinary shares of £1 each to Tradition Financial Services Limited in exchange for a reduction in an intra-group loan payable. The capital injection has increased the share capital of the Company from £1,200k to £23,700k.

18. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at banks and on hand	25,384	11,814
Short term deposits	2,242	1,202
Cash and cash equivalents, including restricted cash	27,626	13,016
Restricted cash included in the cash and cash equivalents balance	2,242	1,202

The restricted cash balance includes obligated cash held with the clearers of £2,242k (2018: £1,202k).

19. Share-based payments

The cost of share based payments (excluding national insurance) in 2019 amounted to £105k (2018: £78k). National insurance will be applicable on exercising the share options.

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

	2019		2018	
	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	2.50	20,000
Granted	-	-	2.50	10,000
Exercised	-	-	-	-
Lapsed	-	-	-	-
Cancelled	-	-	-	-
Outstanding at end of the year	2.50	30,000	2.5	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 2019, as applicable to the Company is shown below:

Grant Date	Number of options of CHF 2.50 nominal value	Potential increase in capital CHF	Start of exercise date (i)	Expiry date	Exercise price CHF	Exercise terms (ii) CHF
04/09/2017	20,000	50,000	04/09/2020	04/07/2025	2.50	110.00
18/07/2018	10,000	25,000	18/07/2021	18/07/2026	2.50	115.00

Exercise conditions

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

20. Analysis of financial assets and liabilities by measurement basis

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

	Financial assets and liabilities at amortised cost	Financial assets and liabilities at FVTPL	Total
	£'000	£'000	£'000
2019			
Assets			
Trade debtors	297,240	-	297,240
Other debtors, incl taxes refundable	3,120	-	3,120
Cash at bank and in hand	27,626	-	27,626
FX forward/swap contract	-	847	847
Amounts from group undertakings	4,306	-	4,306
Total financial assets	331,292	847	332,139
Total non-financial assets			7,262
Total assets			**340,401**
Liabilities			
Trade creditors	283,781	-	283,781
Other creditors	11,163	-	11,163
Bank overdraft	1,885	-	1,885
FX forward/swap contract	-	51	51
Amounts due to group undertakings	12,642	-	12,642
Total financial liabilities	309,471	51	**309,522**
Total non-financial liabilities			195
Total liabilities			**309,717**
2018			
Assets (restated)			
Trade debtors	312,942	-	312,942
Other debtors, incl taxes refundable	3,157	-	3,157
Cash at bank and in hand	13,016	-	13,016
FX forward/swap contract	-	35	35
Amounts from group undertakings	1,743	-	1,743
Total financial assets	330,858	35	330,893
Total non-financial assets			7,932
Total assets (restated)			**338,825**
Liabilities (restated)			
Trade creditors	268,810	-	268,810
Other creditors	7,496	-	7,496
Bank overdraft	28,551	-	28,551
FX forward/swap contract	-	198	198
Amounts due to group undertakings	20,231	-	20,231
Subordinated loans	3,000	-	3,000
Total liabilities (restated)	328,043	198	**328,286**

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. The restatement has reclassified the intercompany position with Carax Paris from a receivable of £120k to a payable of £45k. See Note 28 for further details.

21. Derivative financial instruments

The Company uses derivative financial instruments such as forward and swap 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 current year contracts within assets mature within one month (£197k), one and three months (£637k) and between three to six months (£13k) and the contracts recorded in liabilities mature between three and six months (£51k)The fair value of the derivatives held at the balance sheet date, determined by reference to their market value is as follows:

	2019 £'000	2018 £'000
Current financial assets		
Forward/swap foreign currency contracts	847	35
	847	35
Current financial liabilities		
Forward/swap foreign currency contracts	51	198
	51	198

22. Fair value of financial assets and liabilities

Forward/swap currency exchange contracts fair value was determined using quoted forward/swap 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 2019 and 31 December 2018.

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 observable market data.

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2019				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward /swap contract	-	847	-	847
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit and loss				
FX forward/swap contract	-	51	-	51

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2018				
Assets measure at FVTPL				
Financial assets at fair value through profit and loss				
FX forward/swap contract	-	35	-	35
Liabilities measured at FVTPL				
Financial liabilities at fair value through profit and loss				
FX forward/swap contract	-	198	-	198

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 or Level 3 and Level 2.

23. Parent undertaking

At the 2018 reporting date, the Company's immediate parent was Tradition Financial Services Limited. On 31 December 2019 Tradition Financial Services Limited transferred its ownership in the Company to Tradition UK Holdings Limited, a newly formed holding company.

At the 2019 reporting date, the Company's immediate parent undertaking is Tradition UK Holdings Limited, which is an indirect subsidiary of Compagnie Financière Tradition SA, a company registered in Switzerland. Compagnie Financière Tradition SA has included the Company in its group financial statements, copies of which are publicly available from their offices at Rue de Langallerie 11, Lausanne 1003.

In the directors' opinion, the Company's ultimate parent company and controlling party is Viel et Compagnie Finance SE, which is incorporated in France. Copies of its group financial statements, which include the Company, are publicly available from their offices at 9, PL Vendôme, Paris 75001.

24. 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 related parties are as follows:

Related party	Amounts owed by related party £000	Amounts owed to related party £000
Joint ventures		
2019	17	-
2018	-	3
Shareholder and associated companies		
2019	4,289	12,642
2018	1,743	23,228

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 loan described in Note 12. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the ended 31 December 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: £nil).

25. 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.

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 UK Holdings Limited.

26. Financial risk management policies and objectives

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

The Company is primarily exposed to the following risks:

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

Operational risk

The Company is exposed to operational risk losses in its day-to-day business from penalties, differences and errors in broking activities. Differences arise when transactions arranged by the Company between two counterparties are not completed at the original price. In such circumstances the Company may offer to compensate a 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 has been 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 financial assets as at balance sheet date.

Loss allowances

The Company applies the IFRS 9 simplified approach to measuring ECL for all broking receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans has been assessed on an individual basis. 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 reconcile to the opening loss allowances as follows:

	2019 £'000	2018 £'000
Loss allowance on broking receivables		
As at 1 January	-	(40)
Decrease / (increase) in loss allowance recognised in profit or loss during the year	(50)	40
Receivables written off during the year as uncollectible	5	-
At 31 December	(45)	-

	2019 £'000	2018 £'000
Loss allowance on broking personal loans		
As at 1 January	(30)	-
Decrease / (increase) in loss allowance recognised in profit or loss during the year	28	(30)
Unused amount reversed	-	-
At 31 December	(2)	(30)

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 following table indicates the extent to which the Company was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows.

The analysis is performed for a reasonable possible movement of the USD and EUR against GBP, with all other variables held constant, on the Statement of Comprehensive Income and equity.

	Movement in currency rates %	Effect on net profit £'000	Effect on Equity £'000
2019			
Currency			
EUR	5%	(474)	-
USD	5%	(411)	-
EUR	(5%)	524	-
USD	(5%)	455	-
2018			
Currency			
EUR	5%	(1,071)	-
USD	5%	(207)	-
EUR	(5%)	1,184	-
USD	(5%)	229	-

Interest rate risk

The Company's exposure to interest rate risk in the banking book is very limited since it does not conduct classical banking activity. The Company's exposure to interest rate risk arises from the possibility that changes in interest rates will affect the interest income or the net value of equity. However, the Company does not carry large interest bearing assets and/or liabilities on its balance sheet. Where interest rate bearing assets and liabilities exist, they are typically of short maturity (less than 3 months) and consequently this risk is marginal.

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.

	2019 £'000	2018 £'000
Interest bearing financial instruments		
Profit or (loss) 100 bps increase	(276)	168
Profit or (loss) 100 bps decrease	276	(168)

Liquidity risk

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

- Balance sheet liquidity, the need to finance working capital requirements;
- Transactional liquidity, the risk that directly arises from front office operations, and consists of the financing of collateral for clearing and settlement; and
- Market liquidity, the risk that a position cannot easily be unwound or offset at short notice without significantly influencing the market price and incurring a significant loss.

The Chief Financial Officer is responsible for the Company's liquidity management including the establishment and maintenance of systems and controls over the recording and disbursement of funds in accordance with Board approved bank mandates and the segregation of duties between the movement of funds and the recording thereof. The following table summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

Year ended 31 December 2019	On demand £,000	*Less than* three months £'000	*Three to* twelve months £'000	*One to* five years £'000	*Greater* than 5 years £'000	Total £'000
Non-derivative financial liabilities						
Interest bearing loans & borrowings	1,885	70	210	446	271	2,882
Trade and other creditors	292,222	8,868	5,499	-	-	306,589
	294,107	8,938	5,709	446	271	309.471
Derivative financial liabilities						
FX forward/swap contracts	-	-	51	-	-	51
Total	294,107	8,938	5,760	446	271	309,522

Year ended 31 December 2018	On demand	Less than three months	Three to twelve months	One to five years	Total
	£,000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities					
Interest bearing loans & borrowings	28,551	-	3,000	-	31,551
Trade and other creditors	285,662	6,374	4,501	-	296,186
	314,213	6,374	7,501	-	327,737
Derivative financial liabilities					
Foreign exchange forward/swap contracts	-	50	148	-	198
Total (restated)	314,213	6,424	7,649	-	328,286

The prior year restatement relates to the recognition of goodwill on a business transfer of brokers from Carax Paris to the Paris branch and its subsequent impairment. The restatement has reclassified the intercompany position with Carax Paris from a receivable of £120k to a payable of £45k. See Note 28 for further details.

Operational Liquidity

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

Transactional Liquidity

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

The Company uses the services of a number of clearers who provide secured overdraft facilities without a formalised limit. The use of multiple clearers provides significantly more credit and constitutes efficient risk mitigation against the risk of one clearer withdrawing its credit lines or failing. As the business includes matched principal transactions, failed trades are usually backed by collateral (cash or securities) which are pledged to the custodian to support the overdraft facility. A daily track is kept to monitor the surplus/deficit in the VaR value of collateral against clearer funding.

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

Market Liquidity

As an inter-dealer broker, the Company does not carry proprietary positions and the impact of market liquidity is therefore not considered material from a liquidity risk exposure perspective, except in the event of a counterparty failure which is covered as part of credit risk.

Pillar 3 of Basel II is related to market discipline and aims to make firms more transparent by requiring them to publish specific, prescribed details of their risks, capital and risk management under the Basel II framework.. The Company's qualitative and quantitative pillar 3 disclosures are published on its website, www.tradition.com.

Legal and reputational risk

From time to time the Company may be engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

Conduct Risk

The FCA has outlined its approach to managing conduct risk. Conduct risk relates to the risk that detriment is caused to the Company, its customers, its counterparties or the market, as a result of inappropriate execution of business activities. The Company takes a holistic approach to assessing conduct risks in order to ensure that these are being managed in accordance with the FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition. The Company will assess key risks across the business, identifying key controls and ensuring that the Board is receiving the right information to enable it to challenge effectively the management of such risks by the business.

27. Events after the balance sheet date

The COVID-19 pandemic is resulting in significant volatility in financial markets as well as disruptions to people's lives as a result of preventative measures at a national and global level. Currently, the Company has seen increases in brokerage volumes and therefore revenue as a result of activity in markets. It is unclear as to whether this will continue, whether markets will stabilise, or whether there will be a future period of reduced activity (caused by recession conditions for example).

The Company has implemented mitigation actions by instituting a remote working solution supported by IT, to enable front and back office personnel to work away from the Company's offices whilst still maintaining appropriate controls and risk processes over their activities. This has been successful with the vast majority of all staff currently working away from the office at almost full effectiveness.

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

28. Restatement of prior year balances

During the year goodwill in relation to the transfer of business (brokers) from Carax Paris to the Paris branch was recorded for EUR 195k (GBP 165k). As the Paris branch commenced operations with these brokers in 2018, a prior year restatement recognising the goodwill has been recorded.
A second restatement impairing the goodwill in full has also been processed as the value in use of the cash generating unit is nil as evidenced by operating losses for 2018 and 2019 together with budgeted losses in 2020 for the transferred desks.

Restatement 1:

- Recognition of an intangible for goodwill of £165k and an intercompany position against Carax Paris, transferring it from a previously receivable of £120k to a payable of £45k.

Restatement 2:

- Recognition of impairment expense of £165k and accumulated impairment of the intangible of the same.

The following table outlines the impact that the prior year restatement has had on the financial statements.

Statement	Classification	2018 Signed Financials GBP '000	PY Restatement #1 GBP '000	PY Restatement #2 GBP '000	2018 Restated Balance GBP '000
Statement of Financial Position	Fixed Assets: Intangibles	32	165	(165)	32
Statement of Financial Position	Current Assets: Trade & Other Receivables	325,245	(120)	-	325,125
Statement of Financial Position	Current Liabilities: Creditors	(328,241)	(45)	-	(328,286)
Statement of Financial Position	Profit & Loss Account	(9,511)	-	165	(9,346)
Statement of Comprehensive Income	Administrative Expenses	39,831	-	165	39,996
Statement of Comprehensive Income	Tax on profit on ordinary activities	54	-	-	54
Statement of Comprehensive Income	Profit on ordinary activities after tax	1,360	-	165	1,525
Statement of Changes in Equity	Retained Earnings – 1 January 2018	(10,871)	-	-	(10,871)
Statement of Changes in Equity	Profit for the year – 2018	1,360	-	165	1,525

29. 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.

2019	London	Amsterdam	Madrid	Paris	Milan	Total
Nature of activities			Inter-dealer broker			
Turnover (£000)	35,756	2,263	7,137	2,056	4,536	51,748
Profit / (loss) before tax (£000)	(2,490)	(630)	594	(646)	698	(2,474)
Tax paid (£000)	(18)	156	-	-	-	138
Number of employees	81	11	11	8	4	115

2018	London	Amsterdam	Madrid	Paris	Milan	Total
Nature of activities			Inter-dealer broker			
Turnover (£000)	31,230	2,521	2,881	2,171	-	38,803
Profit / (loss) before tax (£000)	(907)	553	(498)	(571)	(156)	(1,579)
Tax paid (£000)	49	-	-	-	-	49
Number of employees	66	4	8	8	-	86

Notes:

1. The UK legal entity listed above is regulated by the Financial Conduct Authority (FCA) and subject to the requirement of CRD IV Article 89.
2. In the prior year, TFS Derivatives Limited formed part of the Tradition Financial Services Ltd consolidated sub group for FCA reporting purposes. The comparative period figures are also presented in the 2018 financial statement for Tradition Financial Services Ltd.
3. Tax paid represents actual corporation tax payments physically paid to local tax authorities by each entity during the financial year, and in the UK, is shown 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.