

Tradition London Clearing Limited

Report and financial statements

31 December 2011

Registered No 3633863

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COMPANIES HOUSE

Tradition London Clearing Limited

Registered No 3633863

Directors

C Bienstock
P Brault
B Collins
S Jack
S Sterling
W Wostyn

Secretary

S Green

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

NatWest
15 Bishopsgate
London
EC2P 2AP

Solicitors

Mayer Brown International LLP
201 Bishopsgate
London
EC2M 3AF

Registered Office

Beaufort House
15 St Botolph Street
London
EC3A 7QX

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The profit for the year after taxation is £19k (2010 £53k) The profit for the year is transferred to reserves reducing retained losses brought forward

Principal activities and review of the business

The Company is authorised and regulated by the Financial Services Authority The Company's principal activity during the year continued to be the provision of clearing services to the Compagnie Financiere Tradition SA group companies

During the year turnover increased from £2,933k to £3,137k, an increase of 7%, operating profit reduced from £217k to £19k as a result of relatively higher administrative expenses, and shareholders' funds increased from £992k to £1,011k due to a net profit for the year of £19k

Future developments

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

Principal risks and uncertainties

The main risks facing the business arising out of its clearing activities are operational risk (including settlement risk) and counter party risk (see note 20 Financial risk management policies and objectives)

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 Financiere Tradition SA

Capital is obtained from two sources internally-generated capital, and shareholder funds Shareholder funds are obtained in the form of either share capital or subordinated debt During the year, the Company took on a subordinated loan of £700k from its parent undertaking to improve its regulatory capital position (refer to note 14)

Going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future 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

Directors and their interests

The directors who served during the year were as follows

C Bienstock
P Brault
B Collins
S Jack
S Sterling
W Wostyn

None of the directors listed on page 1 had any beneficial interest in the share capital of the Company or any other UK group company at any time during the year

Directors' liability

The Company has indemnified 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

Directors' report

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with

Donations

During the year the Company made no charitable donations (2010 nil)

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

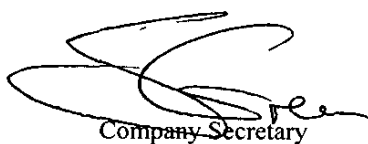
Employee involvement

During the year, the policy of providing employees with information about the Company has been continued through e-mail, memos and verbal communication. Regular meetings are held between local management and employees to allow a free flow of information and ideas

Disclosure of information to the auditor

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

By order of the board



Company Secretary

16 April 2012

STEFAN GARBEN

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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 and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Tradition London Clearing Limited

We have audited the financial statements of Tradition London Clearing Limited for the year ended 31 December 2011 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.



Independent auditors' report

to the members of Tradition London Clearing Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

A handwritten signature in black ink, appearing to read 'R McCracken'.

Robert McCracken (Senior statutory auditor)

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

London

Date 18 April 2012

Profit and loss account

for the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> £000	<i>2010</i> £000
Turnover	3	3,137	2,933
Administrative expenses		(3,118)	(2,716)
Operating profit	4	19	217
Interest receivable	5	8	15
Interest payable	6	-	(141)
Profit on ordinary activities before taxation		27	91
Taxation	9	(8)	(38)
Profit on ordinary activities after taxation		19	53

A Statement of Total Recognised Gains and Losses has not been provided since there are no recognised gains or losses other than the profit for the year

The profit and loss account is derived from continuing operations in the current and prior year

Balance sheet

as at 31 December 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible fixed assets	10	2	10
		<u>2</u>	<u>10</u>
Current assets			
Debtors	11	839,591	1,416,076
Cash at bank and in hand	12	8,616	4,310
		<u>848,207</u>	<u>1,420,386</u>
Creditors: amounts falling due within one year	13	(846,498)	(1,419,404)
Net current assets		<u>1,709</u>	<u>982</u>
Creditors amounts falling due after one year	14	700	-
Total assets less current liabilities		<u>1,011</u>	<u>992</u>
Capital and reserves			
Called up share capital	16	2,250	2,250
Profit and loss account	17	(1,239)	(1,258)
Shareholders' funds		<u>1,011</u>	<u>992</u>

The financial statements were approved by the board of directors on 16 April 2012 and were signed on its behalf by

Director



Petrus Brant

Notes to the financial statements

at 31 December 2011

1. Authorisation of financial statements

The financial statements of Tradition London Clearing Limited for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 16 April 2012, and the balance sheet was signed on the Board's behalf by P Brault

2. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The financial statements have been prepared on a going concern basis.

Revenue Recognition

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

Foreign currencies

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest income and expenses

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

Pensions

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

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 from disclosing a cash flow statement on the grounds that 100% of voting rights are controlled within the group and it is included within the consolidated financial statements of its parent undertaking, Compagnie Financière Tradition SA, which are publicly available.

Notes to the financial statements

at 31 December 2011

2. Accounting policies (continued)

Clients' deposits

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

Tangible fixed assets

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

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

Computer equipment	–	3 years
Computer software	–	3 years
Office furniture and equipment	–	5 years

Impairment

The carrying values of the fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of an asset exceeds its recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and value in use. The value in use is determined by reference to estimated future discounted cash flows.

3. Turnover and segmental reporting

Turnover represents income earned from continuing operations (net of VAT) in connection with the provision of clearing services. All services were provided in the United Kingdom, and therefore segmental reporting is not presented.

4. Operating profit

This is stated after charging/(crediting)

	2011 £000	2010 £000
Gains on foreign exchange	(10)	(55)
Auditors' remuneration	47	39
Depreciation	8	21
	<u> </u>	<u> </u>

5. Interest receivable

	2011 £000	2010 £000
Interest receivable on bank deposits	1	2
Other interest receivable	7	13
	<u> </u>	<u> </u>
	8	15
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2011

6. Interest payable

	2011 £000	2010 £000
Other interest payable	-	141

7. Directors' remuneration

	2011 £000	2010 £000
Directors' remuneration (excluding pension contributions)	110	89
Pension contribution	-	-
	<u>110</u>	<u>89</u>
Remuneration of highest paid director (excluding pension contributions)	90	89
Pension contribution	-	-
	<u>90</u>	<u>89</u>

Some of the directors of the Company are remunerated by other Tradition UK group companies or Compagnie Financiere Tradition SA group companies and particulars of their remuneration are included within the financial statements of those relevant companies

8. Staff costs

Employment costs incurred by the Company during the year were as follows

	2011 £000	2010 £000
Wages and salaries	947	915
National insurance contributions	81	44
Other pension, life assurance and staff benefits	46	42
	<u>1,074</u>	<u>1,001</u>

Average number of persons employed

	2011 No	2010 No
Administration	11	12

Notes to the financial statements

at 31 December 2011

8. Staff costs (continued)

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the plans. The pension cost is £15,346 (2010: £16,904). There are no outstanding pension contributions at the year-end (2010: nil).

9. Taxation

	2011 £000	2010 £000
UK corporation tax charge – current year	6	28
UK corporation tax charge – prior year	-	12
Total corporation tax charge	6	40
Deferred tax (note 15)	2	(2)
Total tax charge	8	38

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

	2011 £000	2010 £000
Profit on ordinary activities before tax	27	91
At average rate of corporation tax of 26.5%	7	26
Effect of		
Adjustments for prior year taxation	-	12
Depreciation (short)/in excess of capital allowances	(1)	2
Current tax charge for the year	6	40

Notes to the financial statements

at 31 December 2011

10. Tangible fixed assets

	<i>Office furniture and equipment</i>	<i>Computer hardware</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 January 2011	50	3	53
Additions/(disposals)	-	-	-
At 31 December 2011	50	3	53
Depreciation			
At 1 January 2011	42	1	43
Charge for the year	7	1	8
At 31 December 2011	49	2	51
Net book value			
At 31 December 2011	1	1	2
At 31 December 2010	8	2	10

11. Debtors

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	839,455	1,415,931
Other debtors	99	43
Prepayments	27	18
Amounts due from group undertakings	-	2
Deferred tax (note 15)	10	12
Corporation tax	-	70
	<u>839,591</u>	<u>1,416,076</u>

12. Cash at bank and in hand

Cash at bank and in hand include balances of £307,652 (2010 £77,604) held by the Company in trust on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority

Notes to the financial statements

at 31 December 2011

13. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	837,653	1,412,704
Accruals and other creditors	1,609	532
Amounts due to group undertakings	7,223	6,168
Other taxes and social security	13	-
	<u>846,498</u>	<u>1,419,404</u>

14. Creditors: amounts falling due after one year

	2011 £000	2010 £000
Subordinated loan	700	-
	<u>700</u>	<u>-</u>

The subordinated loan represents amounts advanced by the parent undertaking, carries interest based on UK 3 months LIBOR and has no fixed date for repayment

15. Deferred tax asset

	2011 £000	2010 £000
Depreciation in excess of capital allowances	10	12
	<u>10</u>	<u>12</u>
Asset at 1 January	12	10
Reduction in corporation tax rate	(1)	-
(Charge)/credit for the year (note 9)	(1)	2
	<u>10</u>	<u>12</u>
Asset at 31 December	<u>10</u>	<u>12</u>

Deferred tax assets have been stated at the corporation tax rate of 25% (2010 27%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2012

Following the Budget on 23 March 2011 the main rate of corporation tax was reduced to 26% effective from 1 April 2011. The Finance Act 2011 provided that with effect from 1 April 2012 the corporation tax rate would be reduced to 25%. On the basis that it is anticipated that the Company's deferred tax assets would unwind after 1 April 2012, the closing deferred tax asset balance has been tax effected at the lower rate of 25%.

In the Budget of 21 March 2012 the Government announced that instead of reducing the corporation tax rate to 25% from 1 April 2012, the corporation tax rate would be reduced to 24%. As the further reduction was not substantially enacted at 31 December 2011, the corporation tax rate of 25% has been applied in calculating the deferred tax asset.

Notes to the financial statements

at 31 December 2011

15. Deferred tax asset (continued)

In addition, the Government announced its intention to further reduce the UK corporation tax rate to 23% from 1 April 2013 and to 22% from 1 April 2014. The aggregate impact of the proposed reduction in corporation tax from 25% to 22% on the closing recognised deferred tax asset of the Company is immaterial.

16. Called up share capital

	2011 £000	2010 £000
<i>Authorised</i>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<i>Issued and fully paid</i>		
2,250,000 ordinary shares of £1 each	2,250	2,250

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

17. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2011	2,250	(1,258)	992
Profit for the year	-	19	19
At 31 December 2011	2,250	(1,239)	1,011

18. Parent undertaking

The Company's immediate parent undertaking is Tradition Service Holding S A, a company registered in Switzerland. Tradition Service Holding S A is a subsidiary of Compagnie Financière Tradition SA which is also registered in Switzerland. Compagnie Financière Tradition SA has included the Company in its group financial statements, copies of which are available from its registered office 11, rue Langallerie, Lausanne CH 1003, Switzerland.

The Company's ultimate parent company and controlling party is Viel & Cie Finance, which is incorporated in France. Copies of its group financial statements, which include the Company, are available from 253, Bd Pereire, 75852 Paris.

19. Related party transactions

The Company has taken advantage of the exemption from disclosing transactions with related parties that are part of the Viel & Cie Finance group or investees of the group.

Notes to the financial statements

at 31 December 2011

20. Financial risk management policies and objectives

The Company acts as a matched principal counterparty in securities transactions. All trades are settled on a delivery versus payment basis. A transaction is settled when the cash is paid by the purchaser and the securities delivered by the seller. The Company is exposed to counterparty risk between the trade date and settlement date and particularly if any transaction fails to settle upon the due settlement date. However, the majority of transactions settle on the normal due settlement date (usually 3 days) keeping settlement risk to a minimum.

The principal risks of the Company are that of counterparty risk and operational risk, the counterparty risk is that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. All counterparties must be approved by the Compagnie Financière Tradition SA Group Credit Committee, and limits are monitored on a permanent basis, as well as fails to receive or to deliver.

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.