

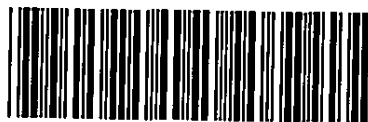
Tradition London Clearing Limited

Report and financial statements

31 December 2012

Registered No 3633863

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COMPANIES HOUSE

Tradition London Clearing Limited

Registered No 3633863

Directors

C Bienstock
P Brault
F Brisebois
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 2012

Results and dividends

The profit for the year after taxation is £4k (2011 £19k) as shown in the profit and loss account on page 7. 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 Financière Tradition SA group companies.

During the year turnover increased from £3,137k to £3,197k, an increase of 2%, operating profit increased slightly from £19k to £20k as a result of higher revenues, and shareholders' funds increased from £1,011k to £1,015k due to a net profit after tax for the year of £4k.

Future developments

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

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 Financière Tradition SA (refer to note 18).

Capital is generated from shareholder funds. Shareholder funds are obtained in the form of either share capital or subordinated debt.

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

F Brisebois (appointed 14/06/2012)

B Collins (resigned 26/12/2012)

S Jack (resigned 14/06/2012)

S Sterling

W Wostyn

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

Directors' report

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.

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 (2011: 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



STEFAN GREEN

Company Secretary

28 March 2013

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 AUDITOR'S 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 2012 which comprise the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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.

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 'Peter Wallace'.

*Peter Wallace (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 28 March 2013*

Profit and loss account

for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Turnover	3	3,197	3,137
Administrative expenses		(3,177)	(3,118)
Operating profit	4	20	19
Interest receivable	5	-	8
Interest payable	6	(14)	-
Profit on ordinary activities before taxation		6	27
Taxation	9	(2)	(8)
Profit on ordinary activities after taxation	17	4	19

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

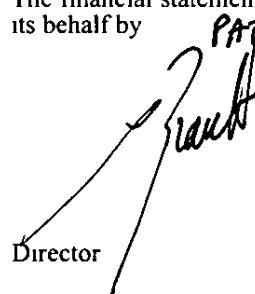
The profit and loss account is derived from continuing operations in the current and prior year

Balance sheet

as at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible fixed assets	10	1	2
		<u>1</u>	<u>2</u>
Current assets			
Debtors	11	901,306	839,591
Cash at bank and in hand	12	4,439	8,616
		<u>905,745</u>	<u>848,207</u>
Creditors: amounts falling due within one year	13	(904,031)	(846,498)
Net current assets		<u>1,714</u>	<u>1,709</u>
Creditors: amounts falling due after one year	14	(700)	(700)
Total assets less current liabilities		<u><u>1,015</u></u>	<u><u>1,011</u></u>
Capital and reserves			
Called up share capital	16	2,250	2,250
Profit and loss account	17	(1,235)	(1,239)
Shareholders' funds		<u><u>1,015</u></u>	<u><u>1,011</u></u>

The financial statements were approved by the board of directors on 28 March 2013 and were signed on its behalf by

 PATRICE BRAULT, CEO 9

Director

Notes to the financial statements

at 31 December 2012

1. Authorisation of financial statements

The financial statements of Tradition London Clearing Limited for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 28 March 2013, 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 2012

2. Accounting policies (continued)

Financial instruments

The Company has taken advantage of the exemption from applying the disclosure requirements under FRS29 as this information is included within the consolidated financial statements of Compagnie Financière Tradition (refer to note 18)

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.

The Company has taken advantage of the exemption from disclosing segmental information as this information is included within the consolidated financial statements of its parent undertaking, which are publicly available from its registered office as referred to in note 18 to these financial statements.

4. Operating profit

This is stated after charging/(crediting)

	2012 £000	2011 £000
Gains on foreign exchange	(1)	(10)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	62	47
Fees payable to the Company's auditor and its associates for other services other assurance services	11	-
Depreciation	1	8
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2012

5. Interest receivable

	2012 £000	2011 £000
Interest receivable on bank deposits	-	1
Other interest receivable	-	7
	<u>-</u>	<u>8</u>

6. Interest payable

	2012 £000	2011 £000
Interest payable on bank deposits	8	-
Interest payable on balances due to group companies	6	-
	<u>14</u>	<u>-</u>

7. Directors' remuneration

	2012 £000	2011 £000
Directors' remuneration (excluding pension contributions)	84	110
Pension contribution	-	-
	<u>84</u>	<u>110</u>
Remuneration of highest paid director (excluding pension contributions)	74	90
Pension contribution	-	-
	<u>74</u>	<u>90</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

Notes to the financial statements

at 31 December 2012

8. Staff costs

Employment costs incurred by the Company (including directors) during the year were as follows

	2012 £000	2011 £000
Wages and salaries	974	947
National insurance contributions	91	81
Other pension, life assurance and staff benefits	26	46
	<u>1,091</u>	<u>1,074</u>

Average number of persons employed (including directors)

	2012 No	2011 No
Administration	12	11

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the plans. The pension cost is £15k (2011: £15k). There are no outstanding pension contributions at the year end (2011: £nil).

9. Taxation

	2012 £000	2011 £000
UK corporation tax charge – current year	-	6
Deferred tax (note 15)	2	2
Total tax charge	<u>2</u>	<u>8</u>

Notes to the financial statements

at 31 December 2012

9. Taxation (continued)

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

	2012 £000	2011 £000
Profit on ordinary activities before tax	6	27
At average rate of corporation tax of 24.5% (2011: 26.5%)	1	7
Effect of Capital allowances in excess of depreciation	(1)	(1)
Current tax charge for the year	-	6

10. Tangible fixed assets

	Office furniture and equipment £000	Computer hardware £000	Total £000
Cost			
At 1 January 2012	2	50	52
Additions/(disposals)	-	-	-
At 31 December 2012	2	50	52
Depreciation			
At 1 January 2012	1	49	50
Charge for the year	-	1	1
At 31 December 2012	1	50	51
Net book value			
At 31 December 2012	1	-	1
At 31 December 2011	1	1	2

Notes to the financial statements

at 31 December 2012

11. Debtors

	2012 £000	2011 £000
Trade debtors	900,306	839,455
Other debtors	9	99
Prepayments	17	27
Amounts due from group undertakings	959	-
Deferred tax (note 15)	8	10
Corporation tax receivable	7	-
	<u>901,306</u>	<u>839,591</u>

12. Cash at bank and in hand

Cash at bank and in hand include balances of £17k (2011 £308k) held by the Company in trust on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority

13. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	899,381	837,653
Accruals and other creditors	127	1,609
Amounts due to group undertakings	4,462	7,223
Other taxes and social security	61	7
Corporation tax	-	6
	<u>904,031</u>	<u>846,498</u>

14. Creditors: amounts falling due after one year

	2012 £000	2011 £000
Subordinated loan	<u>700</u>	<u>700</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

Notes to the financial statements

at 31 December 2012

15. Deferred tax asset

	2012 £000	2011 £000
Depreciation in excess of capital allowances	8	10
Asset at 1 January	10	12
Reduction in corporation tax rate	(1)	(1)
Charge for the year (note 9)	(1)	(1)
Asset at 31 December	8	10

Deferred tax assets have been stated at the corporation tax rate of 23% (2011 25%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2013 and which was substantially enacted on 3 July 2012, on the basis that it is anticipated that the Company's deferred tax assets will unwind after 1 April 2013

In the Budget of 20 March 2013, the Government announced that the UK rate of corporation tax will reduce to 20% from 1 April 2015. As the further reduction was not substantially enacted as at 31 December 2012, the corporation tax rate of 23% has been applied in calculating the deferred tax asset. The aggregate impact of the proposed reduction in corporation tax rate from 23% to 20% on the closing recognised deferred tax asset is a reduction of £1k which could reduce the closing recognised deferred tax asset to £7k.

16. Called up share capital

	2012 £000	2011 £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 2012	2,250	(1,239)	1,011
Profit for the year	-	4	4
At 31 December 2012	2,250	(1,235)	1,015

Notes to the financial statements

at 31 December 2012

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 & Compagnie Finance SE, which is incorporated in France. Copies of its group financial statements, which include the Company, are publicly available.

19. Related party transactions

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

20. Financial risk management policies and objectives

The Company is primarily exposed to the following risks

- Operational Risk,
- Credit Risk,
- Market Risk,
- Liquidity Risk

Operational Risk

The Company is exposed to operational risk losses in its day-to-day business from penalties, differences and errors in broking activities. Differences arise when transactions arranged by the Company between two counterparties are not completed at the original price. In such circumstances the Company may offer to compensate 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 it has experienced very rarely. In general operational risk loss experience is low with large losses being rare and considered to be of low probability due to mitigation steps taken for each loss category and by ensuring that controls are adequate and effective to prevent future loss occurrence.

Credit Risk

The Company is exposed to three kinds of credit risks, credit default risk, settlement risk and concentration risk. The Company's core clients comprise highly credit worthy banks and financial institutions. The centralised credit team, based at Compagnie Financière Tradition SA in Lausanne, has responsibility for assessing, challenging and deciding on credit ratings and trading limits for the matched principal and cleared broking business. Daily reports are used for monitoring and enforcement purposes. The credit team ensures that credit exposures are monitored and that appropriate management information is provided to the Company's management.

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

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

Notes to the financial statements

at 31 December 2012

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.

Interest Rate Risk

The Company's exposure to interest rate risk in the banking book is very limited since it does not conduct classical banking activity. The Company's exposure to interest rate risk arises from the possibility that changes in interest rates will affect the interest income or the net value of equity. However, the Company does not carry large interest bearing assets and/or liabilities on its balance sheet. Where interest rate bearing assets and liabilities exist, they are typically of short maturity (less than 3 months) and consequently this risk is marginal. Moreover, the bank pooling facility in place for the Tradition UK group enable bank balances to be effectively managed on a daily basis and the restrict the need for overnight overdraft positions thus limiting any interest charges thereon.

Liquidity Risk

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

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

The Chief Financial Officer is responsible for the Company's liquidity management including the establishment and maintenance of systems and controls over the recording and disbursement of funds in accordance with Board approved bank mandates and the segregation of duties between the movement of funds and the recording thereof. A summary of the consolidated liquidity position of the Tradition UK group is prepared for and reviewed by the CFO daily.

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

For transactional liquidity, the most significant element of funding liquidity risk arises out of the requirement to finance outstanding failed trades and exceptional margin calls. The Company uses the services of several clearers who provide secured overdraft facilities without a formalised limit. The use of several clearers provides significantly more credit and constitutes efficient risk mitigation against the risk of one clearer withdrawing its credit line. When a trade fails and requires funding, the instrument held in custody is pledged by the custodian and constitutes collateral for the overdraft facility. The Company operates within a liquidity framework, approved by the Board, that covers transactional liquidity policy and a methodology.

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.