ANNUAL REPORT 2006

Compagnie Financière Tradition

Contents

With a presence in 22 countries, Compagnie Financière Tradition is the world's top three IDB (Inter Dealer Broker) (money market products, bonds, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and non-financial products (precious metals, energy and environmental products, and pulp and paper). The Company is listed on the Swiss Exchange (CFT).

This document is an English translation of the French text and has been prepared for information purposes only. While we have made every effort to ensure a reliable translation, we make no representation that it is accurate or complete in any way. It is therefore not the intention of Compagnie Financière Tradition that it be relied upon in any material respect. The original French version is the only valid text.

Chairman's message

Compagnie Financière Tradition delivered robust growth in 2006. For the first time in its history, turnover exceeded the billion franc mark to reach CHF 1.1 billion, representing a year-on-year rise of 25.1% at current exchange rates.

We pursued our organic growth policy during the year, while improving our operating margins at the same time. As part of its long-term development strategy, the Group disposed of its retail businesses in the United Kingdom and the United States.

Operating profit grew to CHF 109.0 million, an increase of 76.2% on the year.

Profit before tax amounted to CHF 137.7 million, giving a pre-tax return of 12.0%, while net profit attributable to company shareholders rose to CHF 61.7 million. Consolidated equity grew to CHF 282.8 million, of which CHF 252.4 million was attributable to company shareholders.

Compagnie Financière Tradition's shares performed strongly in 2006, registering a year-on-year gain of 36.2%.

We will maintain our focus on developing our business organically and on strengthening our position as a sector leader.

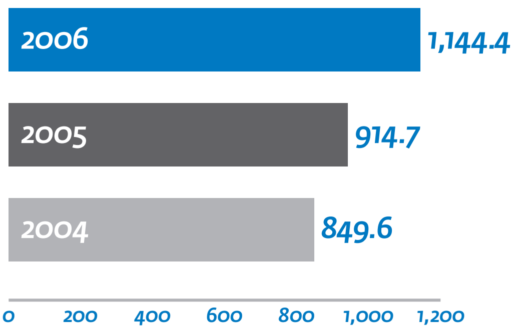
I would like to take this opportunity to thank all our shareholders for their continued trust and loyalty, as well as our teams for their commitment and dynamic contribution to the success of our Company.

In the light of the 2006 results and the outlook for our Company, the Board of Directors will be seeking shareholder approval to pay a dividend of CHF 7.0 per share at the Annual General Meeting on 25 April 2007.

Patrick Combes

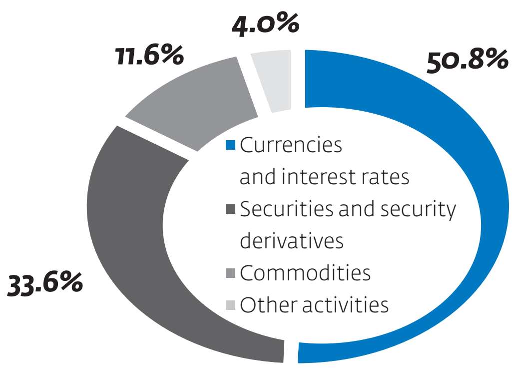
Key figures

Consolidated turnover
CHF m

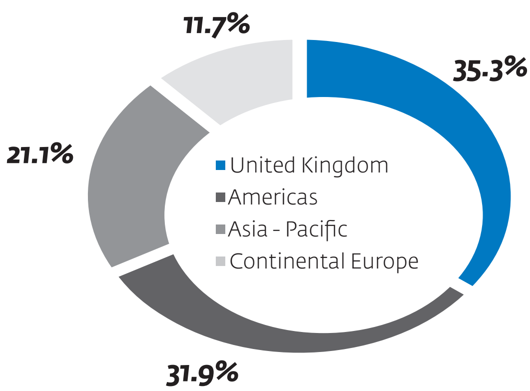


Turnover up 25.1% to CHF 1,144.4 million

Turnover 2006
by product segment

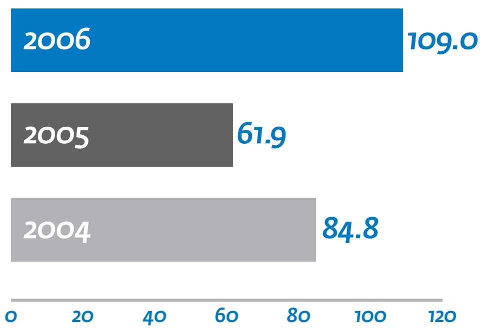


Turnover 2006
by geographic region

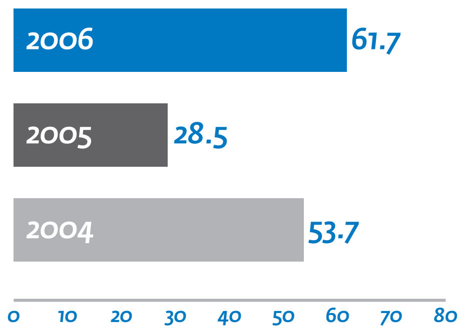


Operating profit grew to CHF 109.0 million and net profit attributable to company shareholders to CHF 61.7 million

Consolidated operating profit
CHF m



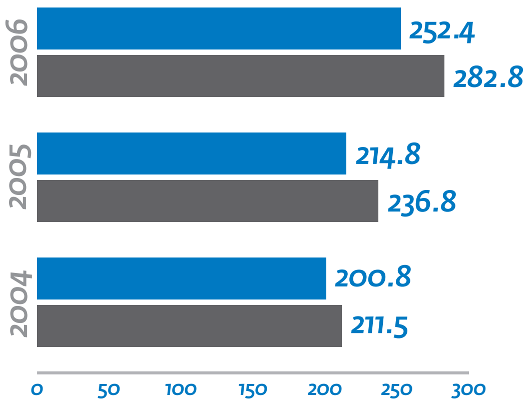
Net profit attributable to company shareholders
CHF m



The comparative financial information for 2005 was adjusted following the decision in 2006 to dispose of Compagnie Financière Tradition's retail subsidiaries in Europe and the Americas.

Consolidated equity of CHF 282.8 million underscores Compagnie Financière Tradition's sound financial position

Consolidated equity
CHF m

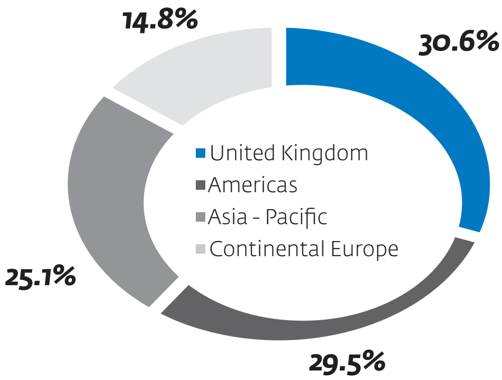


■ Consolidated equity attributable to company shareholders
■ Total consolidated equity

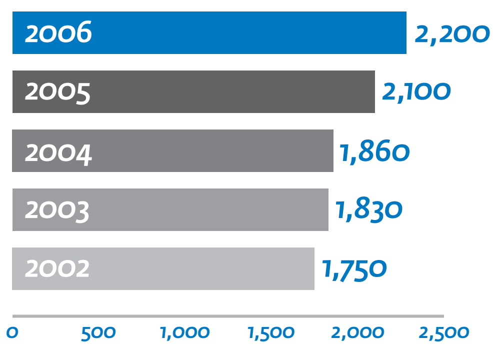
Return on equity in 2006: 28.7%

With a presence in 22 countries, Compagnie Financière Tradition employed close to 2,200 staff worldwide at end-2006, including almost 1,500 brokers

Headcount at 31 December 2006
by geographic region



Headcount
at 31 December



Compagnie Financière Tradition's stock market valuation has increased fortyfold over the past ten years. Its shares hit their nadir at the end of 1996, when they dipped to CHF 4.40, but have since staged a spectacular comeback, reaching over CHF 180 at the end of 2006. This past year, the share price recorded its strongest performance in a decade, rising 36.2%, to close the year at CHF 182.5 and bringing the Group's market capitalisation to almost CHF 1 billion at 31 December 2006.

Share performance

The shares started the year at CHF 134.0 and moved sideways until mid-April when they surged ahead to reach CHF 161.0 on 11 May 2006.

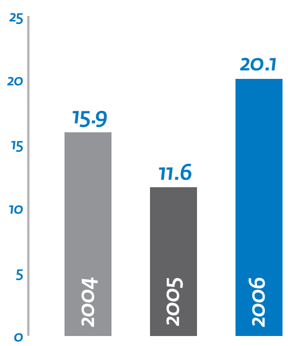
They were knocked off course in the second half, dropping back to CHF 140.0, before taking off again in September. They continued to climb steadily, ending the year at CHF 182.5 and valuing the company at CHF 997,975,000 at 31 December 2006.

The shares strongly outperformed their benchmark (SMI: +15.2%) in 2006, registering a year-on-year gain of 36.2%.

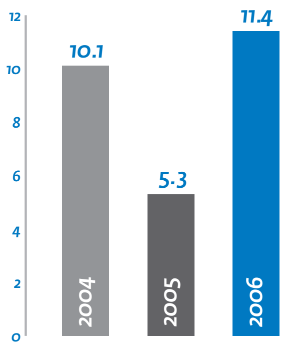
Stock market data	2006	2005
Number of shares at 31 December	5,468,357	5,468,357
Market capitalisation at 31 December	CHF 997,975,000	CHF 732,760,000
Highest share price	CHF 183.9	CHF 136.0
Lowest share price	CHF 128.0	CHF 110.0
Closing price at year-end	CHF 182.5	CHF 134.0
Average daily volume	2,585	1,957
PER * at 31 December	16.2	25.7
PTB ** at 31 December	4.0	3.4
Operating profit per share***	CHF 20.1	CHF 11.6
Net profit per share attributable to company shareholders***	CHF 11.4	CHF 5.3
Dividend per share	CHF 7.0	CHF 6.0

* Price earnings ratio.
** Price to book.
*** Based on the weighted average number of shares outstanding during the period, after deducting the average number of treasury shares.

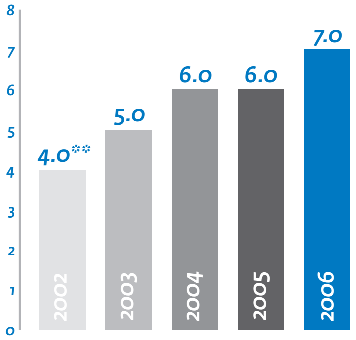
Consolidated operating profit per share
CHF



Net profit per share attributable to company shareholders
CHF



Dividend per share*
CHF



* Based on a share with a nominal value of CHF 2.50.
** Dividend of CHF 4.0 per share with a nominal value of CHF 2.50, plus one bonus share for every 25 shares held.

Simplified Group structure at 31 December 2006

PUBLIC
32.57%

VIEL & Cie
67.43%

Compagnie Financière Tradition

TFS
99.91%

TSH
100.00%

Fact file

Financial year runs from 1 January to 31 December
ISIN Code: CH0014345117
Unit of trade: 1 share
Nominal value: CHF 2.50
Shares are traded on the SWX Swiss Exchange and on the third compartment of the Frankfurt Stock Exchange

2007 Provisional Financial Calendar

1 February	Announcement of FY 2006 turnover
30 March	Announcement of 2006 FY results
25 April	Annual General Meeting
3 May	Announcement of 1st quarter 2007 turnover
2 August	Announcement of 1st half 2007 turnover
30 August	Announcement of consolidated 1st half 2007 results
8 November	Announcement of 3rd quarter 2007 turnover

A detailed financial calendar is updated regularly on www.traditiongroup.com.

Contacts

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Investor relations
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Tel: 41 (0)21 343 52 66 - Fax: 41 (0)21 343 55 00

Internet: www.traditiongroup.com

A dedicated communication platform for Compagnie Financière Tradition's shareholders:
- Share price
- Announcements
- Calendar of events
- Key figures
- Presentations

E-mail: ir@tradition.ch

Compagnie Financière Tradition (CFT) is one of the world's top three interdealer broking firms, with a presence in 22 countries. The company has achieved, primarily organically, an 18% compound growth rate during the last 10 years. Acting as a market place and intermediary, CFT facilitates transactions between financial institutions and all other professional participants that actively trade in capital markets. These transactions vary in scale and liquidity from the simplest to the most sophisticated, the most liquid to the most illiquid. An extensive and long established network of clients, together with a sound understanding of their evolving needs, plus a core competence in derivative markets, are at the heart of our success in wholesale financial services.

INTERDEALER BROKING: A CRITICAL ROLE IN THE STRUCTURE OF CAPITAL MARKETS

An interdealer broker ("IDB") is a neutral and independent intermediary that provides price discovery and sources counterparties for its clients, offering a highly skilled and efficient execution service. Its revenues consist of commissions earned from bringing together commercial banks, investment banks and other market participants that actively transact in capital markets. By using an IDB, clients benefit from access to in-depth market intelligence, a pool of liquidity and anonymity that reduces the market impact of placing orders.

COMPAGNIE FINANCIÈRE TRADITION: GLOBAL LEADER

A global and diverse product offer

We provide brokerage services in a comprehensive and diverse range of financial and commodity-related markets. The financial markets comprise money markets, interest rate and currency derivatives, equities and equity derivatives, bonds and repurchase agreements and credit derivatives; the commodity related markets include oil, natural gas, power, coal, freight, weather derivatives, emissions, precious metals, pulp and paper and property derivatives. We are a member of a number of exchanges, operating in both exchange traded and over-the-counter ("OTC") markets. We are a leading player in key segments with long-established core competencies in all types of derivative products.

Matching clients across five continents

We have developed a worldwide network of offices spanning 22 countries, covering all the key financial centres around the globe and we maintain close and long-term relationships with an extensive portfolio of counterparties in each of these locations. Through our global presence and the interconnection of our worldwide offices we provide clients with a liquidity hub, as well as intimate knowledge of local markets structure and products.

ATTRACTIVE DYNAMICS IN A MARKETS-RELATED INDUSTRY

Key drivers of trading volumes, and hence the development of the IDB sector, include macro economic performances, budget imbalances, the interest rate environment, corporate and government bond issuance, credit cycles, market volatility and emerging economies. New products and the development of financial innovation and technology are also growth drivers in transactions. More recently, new and increasingly sophisticated customers, the increase in size and power of hedge funds, clients searching for the best pools of liquidity, plus the underlying trend of banks, corporates or other financials to offload risk into the capital markets and the demand for yield, have fuelled volume growth across a wide range of asset classes using derivatives and product structuring.

INNOVATION: THE WAY TO BE ONE STEP AHEAD

We are one of the leading global brokerage firms and we operate in a buoyant industry. Our strategy has been, and continues to be, to grow in size and scale in anticipation of the convergence and globalisation of the markets. Our development has been primarily fuelled by organic growth, product innovation, internal start-ups and strategic partnerships. In 1997, we were the first brokers to establish a representative office in China. Back in 2001, we launched the first hybrid voice and electronic brokerage service in the currency options markets. We were also the first broker to establish a presence in Dubai in 2006. We continue to expand our range of exchange memberships, for example our equity derivatives division joined the electronic options exchange, International Securities Exchange (ISE) in 2006. One of our operations, TFS Energy, consistently ranks as the leading broker in weather derivatives, the only energy team to bring its clients and end-users into the market using an auction format. We are also at the forefront in the brokerage of green products around the globe.

Constantly investing in people, new markets and technology, Compagnie Financière Tradition is recognised as a leading global player in an extremely dynamic and competitive arena. Since the end of the 1990s, IDBs have been consolidating around a few major international groups. Looking at the wider spectrum of trading venues, exchanges are themselves in the midst of a consolidation process, as demonstrated in 2006 when two exchanges completed the first transatlantic merger. The ongoing move towards globalisation and the convergence of clients and markets will lead to further shifts in the market structure and new opportunities for global transactional platforms.

Compagnie Financière Tradition, a geographic spread

Compagnie Financière Tradition is and has always been committed to the highest standards of corporate governance. As part of this ongoing commitment, the Company adopted and developed a number of measures to enhance transparency in its shareholder relations, and it fully complies with the provisions of the new «Directive on Information Relating to Corporate Governance» published by the SWX Swiss Exchange in August 2002.

Share structure

The Company's capital consists entirely of bearer shares. Share structure, authorised capital, conditional capital, and changes in share capital over the past three years, as well as information on options issued by the Company on Compagnie Financière Tradition's shares, are presented in the Notes to the financial statements on pages 54 and 55. Compagnie Financière Tradition had no dividend-right certificates or participation certificates, and the Company had no convertible loans outstanding at 31 December 2006.

Group structure and major shareholdings

The Group structure is presented in summary form on page 5 and the scope of consolidation is set out on pages 47 and 48. Major shareholders are shown on page 54. To the best of our knowledge, no other shareholder held over 5.0% of the equity voting rights in Compagnie Financière Tradition at 31 December 2006. No shareholders' agreement existed at 31 December 2006, and there were no cross-shareholdings exceeding 5.0% of the aggregate voting rights or share capital at that date.

General Meeting and shareholder rights

In accordance with Article 18 of the Articles of Association, each share carries the right to one vote. The Company's Articles of Association do not provide for any restriction on shareholders' statutory voting rights, other than in respect of attendance at a General Meeting - Article 17 of the Articles stipulates that *«a shareholder may only be represented at the General Meeting by his legal representative or by another shareholder attending that Meeting in possession of an instrument of proxy»* - and the quorums required for the approval of an *«extension and restriction of the scope of Company operations»* and a *«merger with another company»*. These last two items require the affirmative vote of no less than two thirds of the shares represented and an absolute majority of the nominal value of shares represented at a general meeting where no less than 51% of the nominal value of all shares issued is represented. Pursuant to Sec. 699(3) of the Swiss Code of Obligations (CO), shareholders whose shares together represent a nominal value of one million francs nominal, may request in writing the inclusion of an item of business on the agenda. According to Article 14(2) of the Articles of Association, an Extraordinary General Meeting of shareholders must convene within forty days following the request for a meeting. The General Meeting is convened at least twenty days prior to the appointed date, by notice published in the «Feuille Officielle Suisse du Commerce». The notice convening the meeting must indicate the items of business on the agenda, as well as any motions of the Board of Directors and shareholders who have requested the convening of the meeting or an item of business to be included on the agenda, and, in case of elections, the names of the candidates standing for election.

Board of Directors and Executive Board

Board of Directors

The Board of Directors is composed of nine Directors. The Chairman, Mr Patrick Combes, is the only executive member. He heads the Executive Board. The other members are non-executive, independent Directors. None of these Directors has previously belonged to any governing bodies of Compagnie Financière Tradition or of any of its subsidiaries, nor did they have business relations with Compagnie Financière Tradition or any of its subsidiaries at 31 December 2006, with the exception of Mr Robert Pennone, partner of Pennone & Partners S.A. On 26 May 2000, Compagnie Financière Tradition entered into a liquidity contract with this firm, under which it was appointed market maker for Compagnie Financière Tradition shares. There was no cross-representation on the boards of directors of the companies listed at 31 December 2006. A detailed career history and the offices of each of the Directors appear on pages 12 and 13. The members of the Board of Directors are elected en bloc for a term of three years, which commences at the Annual General Meeting at which the directors are elected and terminates at the Annual General Meeting following the expiry of their term. Directors are eligible for re-election. When a director ceases to hold office, irrespective of the reason, a new director is elected for the remainder of the term of the outgoing director.
The Board of Directors is invested with powers and obligations under the law (Sec. 716(a) of the Swiss Code of Obligations (CO)), the Articles of Association and the Company By-laws. In particular, it takes all decisions in all areas that are not reserved to the General Meeting or any other governing body. It exercises at all times the highest level of management and strict control over the Management and people empowered to represent the Company, to ensure they comply with the law, the Memorandum and Articles of Association, the By-laws, and issued instructions. The Board of Directors may at any time appoint and dismiss the persons responsible for managing and representing the Company. It may at any time and with immediate effect, cancel their right to represent the Company in dealings with third parties, subject to their rights under an employment contract.

The Board of Directors has the following non-transferable and inalienable powers and duties, to:
- exercise the highest level of management of the Company and to issue the necessary instructions;
- establish the organisation;
- establish the accounting and financial control principles and the financial plan;
- appoint and dismiss the persons responsible for managing and representing the Company;
- exercise strict control over those persons responsible for managing and representing the Company to ensure, in particular, that they comply with the law, the Articles of Association, the By-laws, and issued instructions;
- prepare the annual report, the statutory accounts and Group accounts;
- prepare the General Meeting and carry out its resolutions
- determine the method of payment of the dividend;
- create and close subsidiaries and branches;
- inform the Court in the event of over indebtedness.

The Board of Directors delegates all day-to-day management of the Company to the Executive Board. The Board of Directors oversees the Executive Board. At each of its meetings, the Chairman reports on the Executive Board's management of the Company.
The Board of Directors meets when the half-year and annual accounts are closed, at each General Meeting, and whenever Company business so requires.

In 2006, the Board of Directors met three times. An average of eight directors were present at each meeting, which lasted an average of three hours.

The Audit Committee, chaired by Mr Robert Pennone, is made up of four independent, non-executive members, all with the experience and knowledge they need in the fields of accounting standards, finance and auditing to carry out their responsibilities. The role of the Audit Committee is to assist

the Board of Directors in its task of supervising the financial reporting process, the internal control of financial reporting, and Company procedures aimed at ensuring compliance with the laws, regulations and code of best practice. It also reviews the performance, efficiency and fees of the external auditors, and ensures that they maintain their independence. Lastly, it reviews the effectiveness of the financial and risk management departments' cooperation with the external auditors. The Committee has the power and authority to carry out or approve investigations into all areas relating to its sphere of competence. The Chief Financial Officer, the Head of Internal Audit and Risk Management, and Legal Director attend all Audit Committee meetings. The auditors are invited to attend all meetings at which the Committee reviews the half-year and annual accounts, and on these occasions they present a report on the accounts.
The Board of Directors receives a report on all Audit Committee meetings.
In 2006, it met three times and also passed one resolution by circular vote. Its meetings lasted an average of three and a half hours.

The Remuneration Committee, chaired by Mr Christian Baillet, has three independent, non-executive members. It makes recommendations to the Board of Directors regarding remuneration schemes and policies and, more specifically, regarding the terms of remuneration of members of the Executive Board, share option schemes and other incentive schemes.
It met twice in 2006, and the meetings lasted an average of two hours. The Board Committees are consultative and have no decision-making powers. They make recommendations to the Board of Directors, which then takes decisions.
The Board of Directors and its committees receive the full cooperation of the Executive Board, which regularly attends Board of Directors' meetings. It reports on its management, business operations and the most important happenings affecting the Company, as well as on subsidiaries in which the Company holds a direct or indirect interest. Depending on the agenda set by the Chairman of each of these Committees, one or more Executive Board members are invited to attend Committee meetings, to provide information and answer questions.
Outside these meetings, the Chairman of the Board of Directors is kept regularly informed on the everyday management of the Company. In particular, performance is regularly monitored by means of a Management Information System (MIS), and compared with objectives. This control is carried out on a daily, monthly, quarterly or annual basis, depending on the criteria, and encompasses all Group subsidiaries. It entails comparisons with the previous year's results and, more particularly, comparisons with budgets and objectives for the current year.
The Legal Director is Secretary to the Board of Directors and its committees.

Executive Board

The Executive Board has eight members, who meet regularly and exercise the powers conferred on them by the By-laws. The Board of Directors delegates all day-to-day management of the Company to the Executive Board. The members of the Executive Board report individually to the Chairman of the Board of Directors on the everyday management of the Company, and inform him without delay of any material event or changes occurring within the Company or its subsidiaries. The Executive Board meets as an Executive Committee at least once each quarter, under the chairmanship of the Chairman of the Board of Directors. This Committee is joined by the Chief Legal Officer (Secretary to the Board), the Secretary-General and the Head of Management Control.
Biographical details of each of the Executive Board members, including their education, career history, and positions within Compagnie Financière Tradition are shown on page 13.
With the exception of one member, who was appointed to the Federal Foreign Exchange Committee (FXC) in January 2007, members of the Executive Board do not hold any other positions in governing or supervisory bodies of major corporations, foundations or institutions, or any directorships, and do not perform any consultancy functions for significant interest groups, any official duties, or any political mandates. There were no management contracts between Compagnie Financière Tradition and any companies outside the Group at 31 December 2006.

Share interests of members of the Board of Directors and Executive Board

According to our information, the non-executive Directors of the Company and parties closely linked to them held a total of 58,878 Compagnie Financière Tradition shares at 31 December 2006. Also according to our information, the Chairman of the Board of Directors, members of the Executive Board and parties closely linked to them held a total of 3,761,898 Compagnie Financière Tradition shares at 31 December 2006, of which 3,687,543 were held by Financière Vermeer BV, indirectly controlled by Mr Patrick Combes, and 537,094 share options, each exercisable in respect of one Compagnie Financière Tradition bearer share. Details of all employee share options (date granted, expiry, and exercise price) are presented in the Notes to the financial statements on page 55.

Remuneration of the Board of Directors and Executive Board

Non-executive directors of the Company received remuneration totalling CHF 263,332 for the 2006 financial year (2005: CHF 236,666), which was paid in cash. This annual remuneration comprised a fixed fee of CHF 15,000 for each director, and a variable fee of up to CHF 10,000 related to attendance at the various Board meetings during the year. In addition, six non-executive directors received a fee of CHF 10,000 each per Committee for their duties on the Audit Committee or Remuneration Committee. The highest remuneration received by a director in 2006 was CHF 41,666, which was paid in cash. None of the directors received any shares, options to acquire shares or rights to subscribe shares in Compagnie Financière Tradition. Finally, travelling expenses incurred by directors, and other expenses related to the performance of their services, were partially reimbursed. Remuneration packages for members of the Board of Directors are decided by the Board on the recommendation of the Remuneration Committee. They are presently defined in the form of directors' fees.

Executive Board members received remuneration totalling CHF 20.9 million in 2006. This was made up of CHF 6.0 million in salaries, CHF 14.9 million in cash bonuses, and CHF 0.4 million in the form of benefits. No new share options were granted to executive directors during the year. Members of the Executive Board were granted 75,000 share options, none of which were exercised in 2006. The characteristics of share option schemes are described in the Notes on page 55. None of the members of the Executive Board were granted shares in 2006. Since no member of the Executive Board had left the Group at the reference date, no severance grants were made in 2006, or to date.

Remuneration packages for Executive Board members are determined by the Chairman of the Board of Directors, in consultation with the Remuneration Committee, on the basis of an employment contract. Operational members receive a fixed salary and a performance-related fee aligned on the performance of the subsidiaries they manage, while functional members receive a fixed salary and a discretionary bonus. Profit-sharing schemes for members of the Executive Board are determined by the Board of Directors, in consultation with the Remuneration Committee. Except in the case of one former member of the Executive Board, all existing schemes are subject to the executive still being in the Group's employment on the exercise date.

No members of the Board of Directors or Executive Board received additional fees amounting to or exceeding half of their ordinary remuneration, or any guarantee, loan, advance or credit granted by Compagnie Financière Tradition or any of its subsidiaries in 2006.

Takeovers and defensive measures

The Articles of Association contain no «opting out» or «opting up» clause. The employment contracts of Executive Board members and senior executives of the Group do not generally contain any specific provision concerning a change in control of Compagnie Financière Tradition, with the exception of the employment contracts of three members of the Executive Board. All of these three contracts contain a clause providing for the executives to retain office, under identical employment conditions, in the event that control of the Company changes hands.

Information policy

Compagnie Financière Tradition announces consolidated turnover figures on a quarterly basis, and consolidated results on a half-yearly and annual basis. It also discloses all price-sensitive facts in accordance with the requirements of Article 72 of the SWX Listing Rules. Sources of information on Compagnie Financière Tradition and contact addresses can be found on page 5 of this Report.

Risk management and internal control

General risks involved in broking operations conducted by Compagnie Financière Tradition and its subsidiary undertakings.

Compagnie Financière Tradition is committed to strict risk management throughout its operations. The essence of its broking activity is to facilitate contacts between counterparties seeking to trade financial or non-financial products directly between themselves. The risks are therefore limited, and mainly involve the transfer of information to

clients and the payment by these clients of commissions due. In each of the Group entities, the software systems, organisation of administrative teams, and control procedures that have been set in place, ensure efficient follow-up on client transactions. They also meet regulatory standards, such as separation of functions, automatic confirmations, recording of conversations and daily controls. Outstanding commissions are monitored regularly. However, increasingly sophisticated customer requirements have brought about changes in broking methods in securities, bonds and equities. Not all counterparties wish to reveal their trading intentions to the market, and in this case will ask a broker to act as a neutral agent between the buyer and seller. The broker buys and sells the securities simultaneously in its own name and therefore does not take up a real market position. It must, however, guarantee settlement of all trades. This form of broking is known as «matched principal transactions», and requires specific organisation and follow-up.

Specific risks incurred in matched principal transactions and clearing

Having executed the transactions, the broker must then ensure that the clearing is carried out correctly. The risk is that technical delays may occur or that the counterparty may default before the clearing takes place. There are two essential inputs in this operation: the quality of the counterparties involved in the trade, and the efficiency of the administrative organisation behind the clearing. Regarding the first point, all counterparties must be approved by the Credit Committee. The Risk Management Department regularly ensures that decisions are properly observed and reviews the effectiveness of control procedures for counterparties and clearing operations. The clearing operations themselves are handled by specialised teams. Compagnie Financière Tradition's indirect subsidiary, Tradition London Clearing Ltd., is a dedicated clearing company, and the pivot for the Group's matched principal transactions in Europe. Tradition Asiel Securities Inc., one of the Group's U.S. companies, performs all clearing operations in the United States. This company is a member of the FICC (Fixed Income Clearing Corporation), a central settlement counterparty for U.S. government securities. Membership in the FICC considerably reduces the risk of a counterparty default, since it guarantees settlement of all trades entering its net.

Internal Audit and Risk Management

The first level of control is identified within each of the Group's operating entities. Internal Audit's remit enables the application of best practices throughout the Group. The Executive Board then actions a targeted information system, which allows it to follow key parameters, such as average client payment times and client distribution analysis. Matched principal operations are very closely monitored by the Risk Management Department as part of overall counterparty risk management. The head of this department is directly accountable to the Chairman of the Board of Directors. Finally, risks, and risk management and control, are reviewed by the Group's Audit Committee.

External auditors

The external auditors for the consolidated and statutory accounts are Ernst & Young S.A., Lausanne. They were first appointed in 1996, and were re-elected by the Annual General Meeting of 17 May 2006, for a one-year term. The firm is represented by Mr Hans Isler, auditor in charge, who took up his duties during the audit of the 2003 accounts, and Mr Simon Durrance. Ernst & Young earned fees of CHF 4,931,000 for fiscal 2006, CHF 2,136,000 of which was for services other than auditing the accounts of the Compagnie Financière Tradition Group. This compares with fees of CHF 2,490,000 and CHF 236,000 respectively in 2005.

The auditors' remuneration criteria are examined by the Audit Committee, together with the Chief Financial Officer. To safeguard the independence of the external auditors, fees for services other than auditing the Group's accounts must not exceed 10% of the auditing fees, except with substantiated prior approval.

The auditors are invited to attend all meetings of the Audit Committee and the Board of Directors that review the half-year and annual accounts, On these occasions they present a report on the accounts. The auditors attended three meetings of the Audit Committee and two Board meetings in 2006. The Board of Directors recommends that the General Meeting of Shareholders elect its auditors from among the «big four» international auditing firms.

PATRICK COMBES - French national, aged 54
Chairman of the Board of Directors

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: Chairman of the Board of Directors of VIEL & Cie (France), VIEL et Compagnie Finance (France), and Financière Vermeer BV (Netherlands), Director of Verbalys (France) and Bourse Direct (France).
Education: Ecole des Affaires Européennes (ESCP-EAP), Paris. MBA from Columbia University.
Career history: On his return from New York in 1979, Patrick Combes took over VIEL & Cie, gradually transforming the Company through organic and external growth, first within France and then on the international level, into a global player on the world's financial markets. In 1996, when VIEL & Cie took control of Compagnie Financière Tradition, he became Chairman of the Board of Directors.

CHRISTIAN BAILLET - French national, aged 56
Director / member of the Audit Committee and Chairman of the Remuneration Committee

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: President of Quilvest France. Director of VIEL & Cie (France), CA Holding (France), Orphan (France), Chief Executive Officer of Quilvest S.A. (Luxembourg), Chairman of the Board of Directors of Société Internationale de Finance (Switzerland) and Chairman of the Executive Board of Quilvest Banque Privée (France).
Education: Graduate of the Ecole Centrale de Lyon; MBA from Wharton School, University of Pennsylvania.
Career history: Christian Baillet joined the Corporate banking division of Citicorp in New York in 1975. Since 1978, he has been with the Bemberg Group, based in Paris, where he was Manager of French and European Investments before becoming Group Finance Director. In 1994, he was appointed Chief Executive of Quilvest S.A. Luxembourg, in charge of investments. He is also President of the Executive Board of Quilvest Banque Privée, France, and President of Société Internationale de Finance, Zurich.

HERVÉ DE CARMOY - French national, aged 69
Director

Appointment at Compagnie Financière Tradition: First elected on 29 September 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: President of Almatis Holding BV (Netherlands) and Chairman of the Supervisory Board of Sydney & London Properties (U.K.).
Education: Graduate of the Institut d'Etudes Politiques, Paris; MBA from Cornell University.
Career history: Hervé de Carmoy joined Chase Manhattan Bank in 1963, where he was Chief Executive for western Europe. In 1978, he joined Midland Bank Plc, and in 1984 was appointed Chief Executive, Director and member of the Executive Committee of the Midland Plc Group, London. From 1988 to 1991, he was Deputy Director of Société Générale of Belgium. In 1992 he was appointed President and Chief Executive of the BIMP, and then in 1998, he became Managing Partner of Rhône Group LLC in New York. He was appointed Executive Chairman and then Chairman of the Supervisory Board of Almatis GmbH Frankfurt, world leader in alumina chemical products. He is presently President of Almatis Holding B.V. (Netherlands).

FRANÇOIS CARRARD - Swiss national, aged 68
Director / Member of the Remuneration Committee

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: Chairman of the Boards of Directors of Beau-Rivage Palace S.A., Lausanne (Switzerland), Groupe Vaudoise Assurances (Switzerland), and GEM Global Estate Managers S.A. (Switzerland). Deputy Chairman of the Board of Directors of ING Bank (Suisse) S.A. (Switzerland) and member of the Supervisory Board of Kamps AG (Germany).
Education: LL.D., University of Lausanne.
Career history: François Carrard has been a practising attorney since 1967. He is a partner in the law firm of Carrard, Paschoud, Heim & Partners in Lausanne. He is a specialist in corporate law, particularly banking and finance, as well as in sports law, and international arbitration and mediation. He is legal counsel to the International Olympic Committee, and was its former Director General from 1989 to 2003.

JEAN-MARIE DESCARPENTRIES - French national, aged 70
Director / member of the Audit Committee

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: Chairman of the Supervisory Board of GINGER (France), President of the FNEGE (France) and FONDACT (France), member of the Conseil Supérieur de la Participation (France), Director of Assurances et Conseils St-Honoré (France), Banque de Vizille (France), VIEL & Cie (France), Completel (Netherlands), and Censeur de Parsys (France), member of the Strategy Committee of Bolloré (France), Member of the Advisory Board of British Telecom Services (U.K.), and Ernst & Young (France).
Education: Graduate of the Ecole Polytechnique (Paris).
Career history: Jean-Marie Descarpentries has been a senior executive in some of Europe's major industrial groups (Shell, Danone, St-Gobain, Interbrew). From 1982 to 1991, he was CEO of Carnaud Metalbox. From 1994 to 1997, he was CEO of Bull, and was responsible for turning the company around and its privatisation. He is presently President of the FNEGE (Fondation Nationale pour l'Enseignement de la Gestion des Entreprises) and FONDACT (Association pour la Gestion participative, l'Epargne salariale et l'Actionnariat de responsabilité), and is Chairman of the Supervisory Board of GINGER (France) and President of the Observatoire de l'Immatériel (France).

CHRISTIAN GOECKING - Swiss national, aged 63
Director / member of the Remuneration Committee

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: Deputy Director of Berney & Associés S.A. (Switzerland) (member of Horwath International), Vice-Chairman and Chairman of the Audit Committee of CIM Banque (Suisse) S.A.
Education: Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.
Career history: Christian Goecking has spent 39 years in banking and finance, and particularly in financial brokerage. He has worked in senior management and as deputy director at major Swiss banks and English brokerage houses, and was Manager of private asset management at Banque Julius Baer in Geneva and Lugano.

PIERRE LANGUETIN - Swiss national, aged 83
Director / member of the Audit Committee

Appointment at Compagnie Financière Tradition:
First elected on 4 May 1995 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: Chairman of the Board of Directors of Rosbank S.A. (Switzerland) and member of the Boards of Directors of the Ludwig Institute for Cancer Research and Dryden Bank S.A. (Switzerland).
Education: Degree in economics and business administration and Docteur Honoris Causa from the University of Lausanne.
Career history: Pierre Languetin began his career in Paris at the Secretariat of the Organisation for European Economic Cooperation, from 1949 to 1954. He then moved to Bern, where he worked for the Department of Economic Affairs from 1955 to 1976. He was Ambassador Delegate of the Federal Council for International Trade Agreements from 1966, and a member, then Chairman, of the Governing Board of the Swiss National Bank from 1976 to 1988. He was a member of the Board of Directors of the BIS from 1985 to 1988.

ROBERT PENNONE - Swiss national, aged 62
Director / Chairman of the Audit Committee

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: President of Pennone & Partners S.A. (Switzerland), Vice-President of Banque Bénédict Hentsch & Cie S.A. (Switzerland), President of RSI Securities (Switzerland), Vice-President of the Board of Directors of Agen Holding S.A. (Switzerland). Director of GEM Global Estate Managers S.A. (Switzerland).
Education: Certified accountant
Career history: Robert Pennone joined Deloitte as a partner in 1975. In 1979, he partnered with Lenz law firm, Geneva, to develop Revex / Audiba until that company merged with Ernst & Whinney in 1987. He then became Deputy Director of the Swiss entity until 1989, when Ernst & Whinney merged with Arthur Young to become Ernst & Young. He was a member of the Board of Directors and the Executive Board of Ernst & Young from 1989 until end-1993. During that time he was also a member of the Worldwide Banking Committee, and Managing Director of Ernst & Young M&A Europe. In 1994, he created Pennone & Partners S.A. and participated in developing the MC Securities Group. More recently, he became co-founder of GEM Global Estate Managers S.A.

URS SCHNEIDER - Swiss national, aged 61
Director

Appointment at Compagnie Financière Tradition:
First elected on 7 January 1997 – re-elected on 11 May 2004 for 3 years.
Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2006: President of Finance Watch (Switzerland) and member of the Foundation Board of the International Social Service (IS) - Swiss Section.
Education: Graduate of the Hochschule für Wirtschafts-, Rechts- und Sozialwissenschaften (HSG) of the University of St. Gallen
Career history: Urs Schneider spent two years at LEICA, Heerbrugg, before joining the IMI/IMD (International Management Institute), Lausanne, where he held different posts from 1971 to 1984, including Administrative Director and Director of the MBA programme. He was Director of the IFCI Foundation - International Financial Risk Institute from 1985 to 2004, and has been on the academic staff of the Swiss Banking School since 1989.

At 31 December 2006, none of the directors held any permanent management or consultancy positions for any significant interest groups, or any public or political office.

Executive Board

EMIL ASSENTATO - American national, aged 57
Managing Director, TSH Americas

Emil Assentato graduated in economics from Hofstra University in 1973, and began his career on Wall Street, before joining Tradition in 1986 as Manager of money market and derivatives operations. In 1991, he was appointed Chief Executive of Tradition (North America) Inc. and Tradition Asiel Securities Inc. He is also President of FXDD, New York.

ADRIAN BELL - Australian national, aged 45
Managing Director, TSH Asia-Pacific

Adrian Bell is a native of Sydney Australia. After leaving high school, he studied Japanese and Mandarin. He moved to Tokyo, Japan where, in 1986, he began his career in the money markets. He has experienced first hand many of the changes that have occurred over the past twenty years in the money markets throughout Asia. He worked in Singapore in 1991, and has overseen the expansion of Tradition's presence in Asia and Australia, first in Tokyo since 1997, and more recently in Hong Kong, Singapore and Sydney, where he developed operations in interest rate derivatives.

ROBIN HOULDSWORTH - British national, aged 43
President of Tradition Service Holding S.A.

After graduating from Hull University in 1985, Robin Houldsworth became a barrister-at-law in 1986; he is a member of the Honourable Society of the Inner Temple. In 1987, he joined Tradition where he created the interest rate swaps desk. He was appointed a Director of Tradition (UK) Ltd. in 1989, then Chief Executive in 1997, and in January 2004 he became President and CEO. Robin Houldsworth is also Managing Director of Monecor (London) Ltd., a post he has held since 2000. His responsibilities have gradually extended to cover European operations and, since January 2004, all the operating divisions of TSH.

PETER KAELIN - Swiss national, aged 48
Head of Internal Audit and Risk Management

Peter Kaelin, a certified accountant, began his career in 1980 as an external auditor and subsequently changed to internal auditing. In this capacity, he developed corporate governance strategies for international financial institutions and set up global internal audit functions. He was appointed Managing Director of the Swiss Bank Corporation and became a member of the Executive Committee of the Corporate Audit Department. Before joining Compagnie Financière Tradition in November 2004, he was President and Managing Director of EFG Audit & Consulting Services SA, Geneva, where he developed a method of applying risk analysis. Peter Kaelin left the Group on 28 February 2007.

MICHAEL LEIBOWITZ - U.S. national, aged 41
Managing Director, TFS Europe and Group Equity Products

Michael Leibowitz began his career at TFS in 1991, and then moved to London in 1993 to head TFS Global FX Operations. In July 2000, he played a central role in the creation of TFS-ICAP, which resulted in the merger of the OTC Currency Options divisions of TFS and ICAP. From 2000 to 2005, he was CEO of TFS-ICAP Volbroker, which has become the leading liquidity provider in Global FX Options. He was appointed Managing Director of TFS Europe and Group Equity Products in 2006. Michael Leibowitz holds a doctorate in law from Hofstra University, New York, and a bachelor degree in economics from New York State University, Albany. He was appointed to the Federal Foreign Exchange Committee (FXC) in January 2007.

DAVID PINCHIN - U.S. national, aged 59
President of TFS

David Pinchin, one of the founders of the OTC currency options market in the early eighties, was also one of the two co-founders of TFS in 1985. He was previously Managing Director of International Treasury Management Ltd, a subsidiary of HSBC and Marine Midland bank, where he traded interest rate swaps. He holds an honours degree in Business Studies from the City of London College.

DOMINIQUE VELTER - French national, aged 41
Strategic Marketing Director

Dominique Velter holds a Master's degree in economics from Paris-Dauphine University (Paris). She joined BATIF, the capital market banking arm of Thomson, when it was formed in 1986. In 1989, she was appointed Director of Financing at the Bernard HAYOT Group, specialists in wholesale and retail distribution. She obtained an MBA from ISAHEC in 1996, and joined VIEL & Cie to assist the Chairman on development projects. In 1999, she created the Group's online broker, Capitol.fr, and was its President until April 2001, when she was appointed Strategic Marketing Director of Compagnie Financière Tradition.

2006 marked the fourth straight year of robust growth in the world economy, against a backdrop of strong speculation in commodity prices and buoyant equity markets. Many central banks resorted to more restrictive monetary policies and hedge funds were largely instrumental in determining market behaviour.

Vigorous and diffuse growth was once again the driving force around the globe, particularly in the newly industrialised countries of south-east Asia, the Indian sub-continent and the countries of the former Soviet empire, fuelling a sharp upturn in prices for commodities, base metals and energy. Industrial consumption increased for structural reasons, production was unable to keep pace with burgeoning demand, and highly speculative activity added itself to fundamentals. These economic imbalances are a cause for concern among politicians and economic policymakers, but corrections will take time and can be difficult and costly to implement.

SUBSTANTIAL SURPLUS SAVINGS

At present, the surplus savings generated in south-east Asia are financing the U.S. current account and budget deficits. Conversely, U.S. consumer demand is participating structurally in Asia's development, and absorbs a large proportion of the surplus goods and services produced in the Far East. All the players involved accept this reality reminiscent of the 16th century, when Mexican and Peruvian money financed Europe's current account deficit. At that time, Europe exported very little to the Middle and Far East but imported spices, porcelain, silk and other products. It was the keystone in this equilibrium. However, it finally achieved better growth thanks to strong domestic and international demand, investments, and the first benefits of the enlargement of the old Continent.

In this climate of confidence and moderate euphoria, world bourses registered significant gains and attracted increasingly high capital flows. Buoyant bond markets provided resources to finance State deficits, corporate investments and growth in emerging countries. Long-term interest rates remained relatively low, with the world's surplus savings continuously looking for long-term financial instruments and safer investments. The massive pool of global liquidity financed the real economy, but above all the financial economy. Investors have agreed to take on different types of financial and political risks. This reality has reduced volatility and risk premia on almost all markets. Investor risk appetite has hit levels never reached before.

KEY ROLE OF CENTRAL BANKS

Politicians are increasingly delegating management of economic policy to the central banks, whose monetary policy tools are far more efficient than fiscal and budgetary policy instruments.

Furthermore, communication has become an essential strategic weapon in the central banks' arsenal, contributing significantly to the smooth functioning of monetary policy.

The great majority of central banks continued to siphon off market liquidity by raising interest rates, as part of international moves to coordinate monetary policies. The Bank of Japan and the Swiss National Bank, which keep their rates very low, were notable exceptions in this respect.

A YEAR OF CARRY TRADES

Carry trades profited handsomely from the extremely low interest rates prevailing in several countries. Since they obey purely financial equations, these operations do little to optimise capital allocation on the real economy level. The central banks were concerned about three elements: carry trades, the vertiginous drop in risk premia and volatility. But once again, it was the central banks of certain countries holding substantial reserves whose intervention operations structurally modified the balance between demand and supply in the capital markets.

Finally, hedge fund activity was a crucial factor in determining market trends. Over 1.5 trillion dollars went in search of solutions to optimise the risk/return trade-off, using leverage that magnified the weight and firepower of this capital, which was often invested in very specific markets with a high concentration of participants,

Hedge fund operations had a strong influence on prices in many markets.

Looking forward, 2007 has started on a moderately optimistic note as regards the direction of the global economy. Central banks are continuing to tighten monetary policy while economic players appear to be reviewing their exposure to risk. Managing the growth-inflation duo is becoming a more complicated task than in the past, since the supply of cheap labour is shrinking. Doubts over productivity gains have surfaced, while worldwide growth could lose some of its traction.

Compagnie Financière Tradition is a global interdealer broker in the financial markets. Its role as broker is to facilitate transactions between two or more counterparties by matching supply and demand for financial and non-financial products traded on the regulated markets, and non-standardised products traded over-the-counter. In doing so it helps ensure the most efficient pricing for trades and generates liquidity in the different financial centres, like a real marketplace.

Compagnie Financière Tradition Group is present in 22 countries. It is comprised of two holding companies: Tradition Service Holding (TSH), which is principally active in brokering money market products, interest rate and credit derivatives, bonds, interest rate futures and index futures; and Tradition Financial Services (TFS), which combines brokering activities in currency options, equity derivatives, commodities and precious metals.

The Group experienced strong growth in trading volumes in 2006, on the back of sustained volatility in the financial markets. Turnover rose 25.1% to CHF 1,144.4 million, against CHF 914.7 million in 2005. At constant exchange rates, consolidated turnover was CHF 1,135.7 million, for a year-on-year rise of 24.2%.

The Group experienced robust growth in money market products and interest rate and currency derivatives.

These activities grew by 19.6% to CHF 581.8 million in 2006, and represented over 50% of total Group turnover.

In the United Kingdom, volumes in money market and interest rate products remained high, and accounted for 52.6% of U.K. global turnover. Business activities grew by 20.5% during the 2006 financial year.

Our United States operations are conducted mainly through its New York based subsidiary, Tradition (North America) Inc. This zone reported a 36.5% rise in turnover in this product segment, to CHF 150.8 million. The U.S. accounted for 31.9% of Group turnover, 13.2% of which was generated by money market products and interest rate and currency derivatives.

In the Asia-Pacific zone, currency and interest rate products grew by 10.1% in 2006. Compagnie Financière Tradition has a presence in the region's major financial centres through its subsidiaries Meitan Tradition Co. Ltd, in Japan, Tradition Singapore (Pte) Ltd, in Singapore, Tradition (Asia) Ltd in Hong Kong, and Tradition Australia Pty Ltd, in Sydney.

In Tokyo, Meitan Tradition Co. Ltd. retained its leadership position across the full range of interest rate products, with turnover growing by almost 16.6% in 2006. Tradition Singapore (Pte) Ltd also enjoyed buoyant business conditions, with turnover ahead 13.7% on the year. Volumes at Tradition (Asia) Ltd and Tradition Australia Pty Ltd remained generally unchanged from 2005.

In Continental Europe, the Group is present in Brussels, Munich, Frankfurt, Luxembourg, Paris, Lausanne and Milan. These desks generated aggregate turnover representing 11.7% of total Group turnover. Activities in money market products and interest rate and currency derivatives in this zone grew by 6.5% during the period.

The Group has positioned itself as a leading global player in the currency options market, with turnover for these products growing by 21.7%. This performance was generated by TFS-ICAP, the joint venture created with interdealer broker ICAP in June 2000. The company is present in the major financial centres - London, New York, Sydney, Tokyo, Singapore, Frankfurt and Copenhagen.

2006 was an excellent year for securities and security derivatives, with turnover ahead by 27.1%.

Turnover for equities and corporate and government bonds grew strongly to CHF 384.9 million, and represented 33.6% of total Group turnover in 2006. Operations in these products are conducted from Paris, under the Finacor brand, through our subsidiaries VIEL Tradition S.A. and Tradition Securities And Futures S.A., and from Frankfurt, through Tradition Wertpapierhandel GmbH. VIEL Tradition S.A. remains a significant player in the French market for sovereign debt. In London, equity market operations are conducted through the branch of our French subsidiary, Tradition Securities And Futures S.A., while the corporate bond segment is handled by another subsidiary, Tradition (UK) Ltd. Volumes in both these products remained stable in 2006.

In New York, we continued to bolster our presence through our two subsidiaries Tradition (North America) Inc. and TFS Derivatives Corp. Turnover in the Americas zone rose strongly to CHF 139.4 million, an increase of 29.0% on the year.

In Asia, the acquisition of a 35% stake in Ong First Pte Ltd in 2005 gave the Group an important foothold in this rapidly expanding market. Aggregate turnover in the sector rose to CHF 8.6 million against CHF 3.5 million in 2005.

We were able to broaden our equity derivatives business, thanks to our TFS subsidiaries in Continental Europe, the U.K. and the U.S. We also developed our activities in structured products in both London and Paris.

Group turnover in the commodities sector grew by 50.6% in 2006.

Building on the excellent results of 2005, the Group reported a rise in turnover of 50.6% for the commodities sector, with a particularly strong showing in Energy.

This performance was underpinned by strong results in oil derivatives, which grew 51.4% on the back of price volatility in the oil markets in 2006, and in electricity derivatives, which were higher by 42.9%.

This strong performance has confirmed the Group as a major player in the field, through its TFS subsidiary.

The precious metals market registered an increase in turnover of 35.2% on the year. Most of this business is generated from our desks in the U.S., the U.K., Australia and the United Arab Emirates.

The decision was taken to dispose of the Group's retail operations in online forex products in the United States and the United Kingdom in 2006. Gaitame.com Co. Ltd in Tokyo experienced a substantial increase in its activities during the year.

Gaitame.com Co. Ltd, in which the Group holds a 41.82% controlling interest, enjoyed a sharp rise in trading volumes in 2006. Gaitame offers online forex trading to a clientele made up predominantly of private investors. The company is the market leader in this segment in Japan.

In December 2006, Compagnie Financière Tradition sold 80% of its holding in FXDD.com, its subsidiary FXDirectDealer LLC. FXDD.com specialises in online forex trading in the United States.

Tradindex.com, through our London based subsidiary Monecor (London) Ltd, runs a website specialising in spread betting and CFDs. This company was also sold at the end of 2006, subject to regulatory approval from the FSA.

Compagnie Financière Tradition's consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting conventions applied in the preparation of the annual consolidated financial statements are identical to those in effect on 31 December 2005. However, the comparative financial information for 2005 was adjusted following the decision in 2006 to dispose of Compagnie Financière Tradition's retail subsidiaries in Europe and the Americas.

Turnover grew to CHF 1,144.4 million in 2006, an increase of 25.1% at current exchange rates.

Compagnie Financière Tradition's consolidated turnover rose 25.1% to CHF 1,144.4 million during the period, compared with CHF 914.7 million in 2005.

This strong growth was due to sustained activities throughout the year which propelled turnover and profit to record levels. The first half was marked by a 28.6% rise in business volumes, while the second half was slightly lower at 21.8%. This excellent performance was due in particular to second quarter activities, which grew 30.2% compared with the same period last year.

An analysis of the segmental and geographic breakdown of consolidated turnover is shown below:

CHF 000	Currencies and interest rates		Securities and security derivatives		Commodities and other activities		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Europe	**251,003**	212,551	**236,873**	191,179	**49,992**	31,358	**537,868**	435,088
Americas	**150,814**	110,460	**139,449**	108,131	**74,342**	48,471	**364,605**	267,062
Asia - Pacific	**180,021**	163,510	**8,625**	3,518	**53,304**	45,496	**241,950**	212,524
TOTAL	**581,838**	486,521	**384,947**	302,828	**177,638**	125,325	**1,144,423**	914,674

Net income of CHF 6.0 million was recognised under "Other operating income", consisting mainly of an amount of CHF 4.1 million related to compensation received in connection with a dispute settlement. A net expense of CHF 0.9 million was recognised, representing ICAP and Volbroker's 72.5% share in the currency options business of Traditon Financial Services GmbH, a fully consolidated company.

Operating profit grew to CHF 109.0 million in 2006, compared with CHF 61.9 million in 2005.

The Group reported consolidated operating profit of CHF 109.0 million, compared with CHF 61.9 million in 2005, representing a year-on-year rise of 76.2%.

The consolidated operating margin reached 9.5% of consolidated turnover, against 6.8% in 2005.

Personnel costs amounted to CHF 776.3 million, or 67.8% of consolidated turnover, against CHF 634.0 million and 69.3% respectively in 2005. Variable remuneration was 44.0% of total operating staff remuneration, against 38.4% in 2005.

The cost of telecommunications and purchasing financial information, the second biggest expense category after personnel costs, represented 6.4% of consolidated turnover in 2006 against 7.7% in the previous period.

Net profit attributable to company shareholders was CHF 61.7 million in 2006, compared with CHF 28.5 million a year ago.

Net financial income rose strongly to CHF 28.6 million, compared with CHF 8.3 million in 2005. This financial income consisted mainly of a capital gain of CHF 17.8 million on the disposal of subsidiaries, as well as capital gains of CHF 7.9 million on the disposal of financial assets. Net exchange losses reached CHF 1.9 million and net interest income related to the reinvestment of short-term cash and interest expense amounted to CHF 2.8 million.

Profit before tax on continuing activities was CHF 137.7 million, against CHF 70.1 million in 2005, for profitability before tax of 12.0% compared with 7.7% in 2005. A consolidated tax charge of CHF 55.0 million was recognised in 2006, or 40.0% of profit before tax, compared with CHF 30.2 million and 43.1% respectively in 2005.

Consolidated net profit was CHF 79.5 million in 2006, compared with CHF 41.6 million a year ago, bringing the net margin to 6.9% of consolidated turnover, against 4.5% in 2005. Net profit for the year attributable to minority interests was CHF 17.7 million, compared with CHF 13.1 million in 2005.

Net profit attributable to company shareholders rose to CHF 61.7 million from CHF 28.5 million in 2005, for a return on consolidated equity of 28.7% against 14.2% in 2005. Consolidated equity stood at CHF 282.8 million at 31 December 2006, of which CHF 252.4 million was attributable to the company shareholders. This reflects the Group's very solid financial situation, with a cash position and financial assets held for trading net of financial debts of CHF 203.4 million at 31 December 2006, against CHF 120.8 million in the previous period.

Compagnie Financière Tradition reported a Company profit of CHF 11.5 million.

Compagnie Financière Tradition, a pure holding company, reported a net profit of CHF 11.5 million in 2006 against CHF 12.6 million in 2005. This result takes account of dividends of CHF 3.1 million received during the year, other operating income of CHF 15.7 million, mainly consisting of royalties invoiced to Group companies, and exceptional net profit of CHF 3.1 million, mainly related to the sale of an interest in IFX Group plc. Net operating expenses amounted to CHF 12.8 million, against CHF 10.8 million in 2005. This result brought Compagnie Financière Tradition's statutory shareholders' equity to CHF 86.6 million at 31 December 2006, compared with CHF 107.9 million in 2005.

Outlook

Our business policy will remain focused on achieving good organic growth, implementing cost-cutting programmes and gradually improving margins.

Compagnie Financière Tradition will endeavour to strengthen its position among industry leaders and strive to further enhance its market value in order to underpin its external growth.

Consolidated financial statements

To the General Meeting of

Compagnie Financière Tradition, Lausanne

Lausanne, March 28, 2007

Report of the Group auditors

As Group auditors, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes, pages 23 to 48) of Compagnie Financière Tradition for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

ERNST & YOUNG S.A.

Hans Isler
Swiss Certified Accountant
(in charge of the audit)

Simon Durrance
Chartered Accountant

CHF 000	Notes	2006	2005[1]
Continuing operations			
Turnover	1	1,144,423	914,674
Other net operating income	2	6,001	2,750
OPERATING INCOME		**1,150,424**	**917,424**
Personnel costs		-776,297	-633,961
Other operating expenses	3	-248,195	-207,734
Amortisation and depreciation		-16,885	-13,387
Impairment losses		-	-439
OPERATING EXPENSES		**-1,041,377**	**-855,521**
OPERATING PROFIT		**109,047**	**61,903**
Net financial income	4	28,575	8,286
Share of profit/(losses) of associates	9	109	-71
PROFIT BEFORE TAX		**137,731**	**70,118**
Income tax	5	-55,029	-30,230
PROFIT FOR THE YEAR FROM CONTINUING ACTIVITIES		**82,702**	**39,888**
Discontinued operations			
Profit/(loss) after tax from discontinued operations	13	-3,248	1,674
PROFIT FOR THE YEAR		**79,454**	**41,562**
Attributable to:			
Shareholders of the parent		61,714	28,466
Minority interests		17,740	13,096
Earnings per share (in CHF):	6		
Basic earnings per share		11.36	5.33
Diluted earnings per share		10.90	5.14
Earnings per share from continuing activities (in CHF):	6		
Basic earnings per share from continuing operations		12.05	5.01
Diluted earnings per share from continuing operations		11.56	4.83

[1] *The 2005 consolidated income statement was restated to show profit/loss after tax from discontinued operations as a separate item (Note 13).*

Consolidated balance sheet at 31 December 2006

ASSETS *CHF 000*	Notes	2006	2005
Tangible fixed assets	7	39,525	36,540
Intangible fixed assets	8	32,985	30,689
Investments in associates	9	1,088	1,008
Financial assets at fair value	10	-	8,137
Available-for-sale financial assets		489	-
Other financial assets	11	14,448	12,828
Deferred tax assets	5	14,164	13,945
Unavailable cash	31	15,502	12,301
TOTAL NON-CURRENT ASSETS		**118,201**	**115,448**
Prepayments and accrued income	22	14,663	14,779
Receivables related to matched principal activities		219,954	268,439
Receivables related to account holder activities	14	373,123	450,603
Derivative financial instruments	30	1,037	36
Tax receivables	21	5,855	4,180
Trade and other receivables	15	232,383	198,333
Financial assets at fair value	16	5,187	9,770
Cash and cash equivalents	17	263,244	201,412
TOTAL CURRENT ASSETS		**1,115,446**	**1,147,552**
Assets held for sale	13	215,853	4,743
TOTAL ASSETS		**1,449,500**	**1,267,743**

EQUITY AND LIABILITIES *CHF 000*	Notes	2006	2005
Capital	25	13,671	13,671
Share premium		22,436	20,487
Treasury shares		-	-13,954
Currency translation		-2,040	5,532
Consolidated reserves	26	218,342	189,046
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**252,409**	**214,782**
Minority interests		30,350	21,998
TOTAL EQUITY		**282,759**	**236,780**
Financial debts	18	11,446	13,065
Provisions	19	19,458	16,176
Deferred tax liabilities	5	5,389	709
TOTAL NON-CURRENT LIABILITIES		**36,293**	**29,950**
Financial debts	18	84,050	89,625
Trade and other payables	20	82,285	65,012
Tax liabilities	21	25,300	20,547
Derivative financial instruments	30	189	222
Payables related to account holder activities	14	386,979	448,386
Payables related to matched principal activities		235,740	268,658
Accruals and deferred income	22	129,171	108,287
TOTAL CURRENT LIABILITIES		**943,714**	**1,000,737**
Liabilities directly associated with the assets held for sale	13	186,734	276
TOTAL LIABILITIES		**1,166,741**	**1,030,963**
TOTAL EQUITY AND LIABILITIES		**1,449,500**	**1,267,743**

Consolidated cash flow statement

CHF 000	**2006**	2005
Cash flows from operating activities		
Profit before tax from continuing operations	**137,731**	70,118
Profit/(loss) before tax from discontinued operations	**-5,289**	1,798
Amortisation and depreciation	**18,047**	14,598
Impairment losses	**789**	439
Net financial income	**-32,576**	-10,304
Share of profit/losses of associates	**-109**	71
Operating income with no impact on cash flow	**-4,051**	-
Increase in provisions	**14,819**	552
Costs of share-based payments	**392**	356
Gains/losses on disposal of fixed assets	**19**	-3,622
Increase/decrease in working capital	**31,257**	-25,384
Interest paid	**-5,433**	-3,943
Interest received	**11,337**	5,560
Income tax paid	**-47,703**	-26,293
NET CASH FLOWS FROM OPERATING ACTIVITIES	**119,230**	**23,946**
Cash flows from investing activities		
Acquisition of financial assets	**-9,184**	-3,240
Proceeds from sale of financial assets	**30,270**	-
Acquisition of subsidiaries, net of cash acquired	**301**	3,000
Disposal of subsidiaries, net of cash disposed	**-3,660**	-
Purchase of tangible fixed assets	**-13,760**	-12,708
Proceeds from disposal of tangible fixed assets	**67**	1,694
Purchases of intangible fixed assets	**-2,926**	-4,668
Proceeds from disposal of intangible fixed assets	**-**	6,242
Other investment income	**1,892**	1,249
Dividends received	**517**	174
Increase in unavailable cash	**-3,673**	-249
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-156**	**-8,506**
Cash flows from financing activities		
Increase in short-term financial debts	**13,794**	40,493
Decrease in short-term financial debts	**-7,772**	-17,581
Increase in long-term financial debts	**-**	8,851
Decrease in long-term financial debts	**-6,048**	-2,285
Increase in capital and share premium	**-**	224
Acquisition of treasury shares	**-318**	-671
Proceeds from disposal of treasury shares	**16,403**	2,108
Dividends paid to minority interests	**-7,662**	-9,263
Dividends paid to shareholders of the parent	**-32,810**	-32,068
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-24,413**	**-10,192**
Exchange rate variation	**-4,191**	13,591
Increase in cash and cash equivalents	**90,470**	18,839
Cash and cash equivalents at beginning of the year	**201,138**	182,299
Cash and cash equivalents at end of the year (Note 17)	**291,608**	201,138

CHF 000 (except for number of shares)	Attributable to shareholders of the parent							Minority interests	Total equity
	Number of shares	Capital	Share premium	Treasury shares	Currency translation	Consolidated reserves	Total		
AT 1 JANUARY 2005	**5,449,769**	**13,624**	**20,337**	**-15,418**	**-10,207**	**192,439**	**200,775**	**10,744**	**211,519**
Capital increase	18,588	47	177	-	-	-	**224**	-	**224**
Acquisition of treasury shares	-	-	-	-671	-	-	**-671**	-	**-671**
Disposal of treasury shares	-	-	-27	2,135	-	-	**2,108**	-	**2,108**
Dividends paid	-	-	-	-	-	-32,068	**-32,068**	-9,263	**-41,331**
Effects of changes in the basis of consolidation	-	-	-	-	147	-147	**-**	6,160	**6,160**
Impact of recognition of share options	-	-	-	-	-	356	**356**	-	**356**
Currency translation differences	-	-	-	-	15,592	-	**15,592**	1,261	**16,853**
Profit for the year	-	-	-	-	-	28,466	**28,466**	13,096	**41,562**
AT 31 DECEMBER 2005	**5,468,357**	**13,671**	**20,487**	**-13,954**	**5,532**	**189,046**	**214,782**	**21,998**	**236,780**
Acquisition of treasury shares	-	-	-	-318	-	-	**-318**	-	**-318**
Disposal of treasury shares	-	-	1,949	14,272	-	-	**16,221**	-	**16,221**
Dividends paid	-	-	-	-	-	-32,810	**-32,810**	-7,662	**-40,472**
Effect of changes in the basis of consolidation	-	-	-	-	-	-	**-**	-547	**-547**
Impact of recognition of share options	-	-	-	-	-	392	**392**	-	**392**
Currency translation differences	-	-	-	-	-7,572	-	**-7,572**	-1,179	**-8,751**
Profit for the year	-	-	-	-	-	61,714	**61,714**	17,740	**79,454**
AT 31 DECEMBER 2006	**5,468,357**	**13,671**	**22,436**	**-**	**-2,040**	**218,342**	**252,409**	**30,350**	**282,759**

General

Compagnie Financière Tradition is a public limited company with its registered office at 11 Rue de Langallerie, 1003 Lausanne. With a presence in 22 countries, the Group is one of the world's leading interdealer brokers of both financial products (money market products, bonds, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and non-financial products (precious metals, energy and environmental products). Its shares are listed on the SWX Swiss Exchange and on the Third Market Segment of the Frankfurt Stock Exchange.

Compagnie Financière Tradition is indirectly owned by VIEL & Cie, which holds a 67.43% controlling interest in the Group.

Publication of the consolidated financial statements for the year ended 31 December 2006 was approved by the Board of Directors on 28 March 2007.

Main accounting policies

The consolidated financial statements are expressed in thousands of Swiss francs except where expressly stated otherwise; the Swiss franc is Compagnie Financière Tradition's functional currency and presentation currency. The consolidated financial statements been prepared under the historical cost convention - with the exception of assets and liabilities held for trading, assets and liabilities at fair value through profit or loss, and derivative financial instruments recognised at fair value - and in accordance with International Financial Reporting Standards (IFRS).

Some balances from the previous year have been reclassified to bring them into line with the presentation of the current financial year.

The accounting policies applied to the 2006 financial year are identical to those applied at 31 December 2005, except for the following standards, which were adopted in 2005 and applied since 1 January 2006:

International Financial Reporting Standards (IFRS)

- IFRS 1 - Amendments to IFRS 6
- IFRS 4 - Insurance contracts (Amendments to IAS 39 and IFRS 4 - Financial Guarantee Contracts)
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRS 6 - Amendments to IFRS 6
- IAS 19 - Amendments - Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 21 - Effects of Changes in Foreign Exchange Rates
- IAS 39 - Amendment - The Fair Value Option
- IAS 39 - Amendments to IAS 39 - Transition and Initial Recognition of Financial Assets and Financial Liabilities
- IAS 39 - Cash Flow Hedge Accounting
- IAS 39 - Amendments to IAS 39 and IFRS 4 - Financial Guarantee Contracts

International Financial Reporting Interpretations Committee (IFRIC)

- IFRIC 4 - Determining whether an Arrangement contains a Lease
- IFRIC 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

The adoption of these new provisions did not have any material financial impact during the period but required more detailed disclosures.

The principal effects of these changes are as follows:

IAS 19 - Employee Benefits
The Group has adopted the amendments to IAS 19 by reporting additional information, covering changes in the fair value of pension assets and changes in the present value of defined benefit obligations, for the periods ended 31 December 2006 and 31 December 2005. The amendments had no other impact since the Group elected not to apply the new option to recognise actuarial gains and losses outside profit or loss.

IAS 21 - Effects of Changes in Foreign Exchange Rates
The Group has adopted the amendments to IAS 21. Consequently, exchange differences relating to a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements, regardless of their currency denomination. This change did not have any material impact on the Group's consolidated financial statements at 31 December 2006 and 31 December 2005.

IAS 39 - Financial Instruments - The Fair Value Option
The Group has adopted the amendment to IAS 39, aimed at restricting the use of the option to designate any financial asset or financial liability to be measured at fair value through profit and loss. This amendment did not have any impact on the consolidated financial statements since the Group satisfied the conditions for application of this option in respect of the financial asset designated at fair value through profit and loss. Moreover, this asset was sold during the 2006 financial year.

Main accounting estimates

When preparing the consolidated financial statements, the management makes certain assumptions and estimates in applying its accounting policies. As a result of the uncertainties inherent to the Group's activities, some items in the consolidated financial statements cannot be measured with precision and must therefore be estimated. Estimates involve judgements based on the latest reliable information available.

The key estimates and assumptions concerning the future and other important sources of uncertainty regarding estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Goodwill impairment

The Group determine at each balance sheet date whether goodwill has suffered any impairment. The value in use of goodwill is estimated using discounted cash flow projections on the cash-generating units (CGUs) to which the goodwill has been allocated. Future cash flow projections and the discount rate to be used in calculating their present value are based on estimates made by the Management. Total goodwill at 31 December 2006 was CHF 28,245,000 (CHF 25,364,000 at 31 December 2005). Additional information is given in Note 8.

Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward to the extent that it is probable that taxable profits will be available in the foreseeable future against which the tax losses can be utilised. The Management estimates the deferred tax assets to be recognised, on the basis of forecasts of future taxable profits. Total deferred tax assets relating to tax losses carried forward at 31 December 2006 amounted to CHF 2,271,000 (CHF 4,768,000 at 31 December 2005). Additional information is given in Note 5.

Employee benefits

The Group's obligations in respect of defined benefit plans are measured each year using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, expected return on pension assets, future salary and benefit increases, and mortality rate. Because of the long-term perspective, these estimates involve a degree of uncertainty. Net defined benefit obligations were CHF 6,775,000 at 31 December 2006 (CHF 6,408,000 at 31 December 2005). Additional information is given in Note 23.

Basis of consolidation

The consolidated financial statements include Compagnie Financière Tradition, its subsidiaries, associates and joint ventures ("the Group"). A list of consolidated companies, together with the controlling interest, equity interest, and method of consolidation for each one, is shown in Note 34.

Consolidation methods

Subsidiaries are fully consolidated when they are directly or indirectly controlled by Compagnie Financière Tradition. Control is the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain benefits from its activities. To determine the existence of control, potential voting rights that are currently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are incorporated into the consolidated financial statements from the date on which control is obtained until the date on which control ceases. Minority interests are identified and presented separately in the consolidated balance sheet and income statement.

The financial statements of jointly controlled companies (joint ventures) are consolidated using the proportionate consolidation method. The consolidated balance sheet and income statement combines, on a line-by-line basis, Compagnie Financière Tradition's portion of equity in each of the jointly controlled entities from the date on which it obtains control until the date on which control ceases. The financial statements of these companies are prepared according to the same accounting principles as those used for the parent company; adjustments are made to compensate for any dissimilar accounting policies that may exist.

Associates in which Compagnie Financière Tradition has a significant but not controlling influence on the financial and operating policies are accounted for using the equity method. Significant influence is presumed when Compagnie Financière Tradition directly or indirectly holds over 20% of the equity voting rights in these companies. The consolidated financial statements include the Group's share in the net assets of associates.

Elimination of intercompany transactions

When preparing the consolidated financial statements, significant balances, transactions and unrealised gains and losses between Group companies are eliminated. Unrealised gains on transactions with associates and jointly controlled companies are eliminated to the extent of the Group's interest in these entities.

Foreign currency translation

The Group's consolidated financial statements are presented in Swiss francs. Foreign currency transactions are translated into the functional currency of each entity of the Group using the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Translation differences resulting from such transactions are recognised under "Net financial income" in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and recognised at their historic cost are translated at the exchange rate prevailing at the date of the transaction. Those recognised at fair value are translated at the exchange rate prevailing at the date on which fair value is determined.

On consolidation, assets and liabilities of foreign subsidiaries denominated in foreign currencies, including goodwill and fair value adjustments, are translated into Swiss francs at the exchange rate prevailing at the reporting date. Income and expenses of foreign subsidiaries denominated in foreign currencies are translated into Swiss francs at average rates of exchange during the year.

Translation differences resulting from exchange rate fluctuations between years, applied to the net position of foreign subsidiaries denominated in foreign currencies, and differences between the average exchange rate during the year and the exchange rate applied to the results of subsidiaries, are charged directly to equity, under "Currency translation". When a foreign subsidiary is sold, the cumulative exchange difference that was recognised in equity relating to that particular foreign operation, is recognised in the income statement.

The main closing and average exchange rates used for the 2006 and 2005 financial years are shown in Note 33.

Segment reporting

Compagnie Financière Tradition's internal organisational and management structure, and its system of internal financial reporting to the Executive Committee and Board of Directors, are geographical, with each geographical segment and each country broken down into major product groups. The Group's legal structure is progressively segmented to reflect this same organisation.

The three geographical segments identified for management reporting that have similar overall risk and profitability profiles, are Europe, the Americas and the Asia-Pacific region. The Group's activities in Africa and Latin America have been grouped under Europe and the Americas respectively, since their operations are supervised by the management of these regions and their individual weight is not significant (less than 1% of Group turnover).

The adopted geographical approach is based on the location of the Group's offices and operating teams, rather than the geographical location of its customers. This is because the profitability of broking activities is heavily reliant on local market characteristics, particularly in terms of competitive situation, remuneration and other operating expenses. However, the distribution of consolidated turnover by destination - i.e. the geographical location of customers - does not differ substantially from revenue distribution by geographical location.

On the secondary level, the Group's activities are broken down into three major groups of related products, which present similar overall profitability profiles or transaction methods. All Compagnie Financière Tradition's historical broking activities in the money markets, spot and forward forex trading, interest rate derivatives and currency options, are grouped under "Currencies and interest rates". "Securities and security derivatives" includes operations in the interest rate futures and equity markets, broking activities in government and corporate bonds, equities and equity derivatives traded in the OTC or regulated markets, repo transactions, and credit derivatives broking. Finally, "Commodities and other activities" comprises broking activities in energy and precious metals, as well as activities catering to retail customers through platforms specialised in forex trading in Asia.

Income, operating expenses, and segmental assets and liabilities are allocated entirely to the geographical segments, with the exception of a few profit or loss items, and assets and liabilities related exclusively the Group's holding companies' operations, which are presented separately as unallocated items.

When preparing secondary segment information by product, assets used jointly by several business segments are allocated to the segments in line with an allocation key based on each segment's share of turnover. Assets relating exclusively to the Group's holding companies are presented separately as unallocated items.

Financial risk management

Compagnie Financière Tradition is an interdealer broker in the financial and non-financial markets, serving a predominantly institutional clientele. The core broking business consists of facilitating contact between two counterparties to a trade, and receiving a commission for service rendered. The Group has therefore very limited exposure to credit risk in these activities. Some Group companies act as principal in the simultaneous purchase and sale of securities for the account of third parties. Such trades are completed when both sides of the deal are settled, namely once payment is made and the securities are delivered (matched trades). Compagnie Financière Tradition is therefore exposed to counterparty risk if one side of the transaction remains unmatched. However, virtually all transactions are settled within a very short period and delivery risk is minimal. The Group has a central credit committee, made up of three members, which analyses counterparty risks in connection with specific trades.

The exposure to interest rate risk is mainly due to the Group's financial debt structure. However, the risk is very marginal since over 90% of the debt is at variable interest. Financial debt commitments within the Group must be approved by the Executive Board. Exposure to interest rate risk on financial debts is disclosed in Note 18.

Because of its international standing, the Group is exposed to currency risk, which is analysed globally. The management of currency risk comes under the aegis of the Executive Board. Group policy for hedging this risk is not part of a long-term hedging policy, but is dealt with on a timely basis depending on economic trends and conditions. Exposure to currency risk is reflected in the segment disclosure (Note 1).

Policy on liquidity risk focuses on maintaining cash and cash equivalents in the Group's operating subsidiaries at a level that complies with regulatory standards, and that meets their needs for working capital. Emphasis is also placed on steady funding through the use of, and access to bank loans.

Operational risk is mostly associated with the execution of transactions, from the processing of the client's order to confirmation of the transaction and administrative follow-up. The Group's internal audit and risk management service, in conjunction with local compliance officers, continually reviews this process in order to minimise risk.

Turnover

Turnover consists of brokerage revenues and commissions from broking activities conducted by the Group's operating subsidiaries with third parties. For transactions in which the Group act as agents, turnover is presented net of rebates, discounts, and charges paid to correspondents, and is recognised at the time of the transaction. With matched principal activities, where the Group acts as principal to simultaneously purchase and sell securities for the account of third parties, commission revenues represent the difference between the buying and selling price of the securities, and are recognised at the time of delivery.

Net financial income

Net financial income includes interests from reinvestment of short-term cash flows, interests paid on short- and long-term financial debts, and interests related to account holder activities, as well as gains and losses on financial assets. This item also includes exchange gains and losses on financial assets and liabilities.

Income tax

Income tax comprises both current and deferred income tax. The tax effect of items directly recognised in consolidated equity is recognised directly in consolidated shareholders' equity.

Current tax is the income tax payable on taxable income for the period, using tax rates enacted or substantially enacted by the balance sheet date, as well as tax adjustments for previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amount of a balance sheet asset or liability and its tax base. Deferred tax is measured using the liability method on the basis of the rate of tax expected to apply when the asset is realised or the liability is settled. Any change in tax rate is recognised in the income statement except if it relates directly to items in shareholders' equity. Deferred tax is measured and recognised on all taxable temporary differences, excepting non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences to the extent that it is probable that taxable profits will be available in the foreseeable future against which the temporary differences can be utilised. Where this is not the case, they are only carried in the amount of the deferred tax liabilities for the same taxable entity.

Cash and cash equivalents

Cash consists of cash in hand and sight deposits held with banks; cash equivalents are short-term bank deposits and short-term money market investments with maturities of three months or less from the date of acquisition. Short-term money market investments are made up of short-term cash products such as government securities and money market investment funds. They are carried at fair value. All realised and unrealised gains and losses on these securities are recognised directly in the income statement. Bank overdrafts are included with short-term financial debts.

Bank overdrafts payable on call are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

Financial assets

Financial assets are classified in three separate categories:

<u>Financial assets at fair value through profit or loss</u>
These are financial assets held for trading (HFT) and financial assets designated at fair value through profit or loss. They are carried at fair value and valuation adjustments are recognised in the income statement for the period.

<u>Held-to-maturity financial assets (HTM)</u>
These are non-derivative financial assets with fixed payments and maturity, held by the Group until maturity. They are carried at amortised cost including premiums and discounts, and other items such as acquisition costs.

<u>Available-for-sale financial assets (AFS)</u>
Financial assets available-for-sale are measured at fair value. By way of exception, financial instruments for which quoted market prices are not available and for which the fair value cannot be reliably established, are held at cost, which includes transaction costs after deduction of any impairment losses. Gains and losses arising from changes in the fair value of available-for-sale assets are recognised directly in equity.

When these assets are sold, received or transferred, gains or losses that were recognised in equity are recognised in the income statement. Where a decline in the fair value of available-for-sale assets is other than temporary, the market value is adjusted and an impairment is recognised in the income statement under "Net financial income".

Trade and other receivables

Trade and other receivables are recognised at nominal value, generally corresponding to the amounts invoiced by Group companies for broking activities, after deduction of appropriate provisions. Provisions for doubtful accounts are tested for impairment when realisation of the debt is no longer probable.

Derivative financial instruments

The Group uses derivative financial instruments on a specific and generally marginal basis, mainly for managing exchange risks arising during the course of its activities. These instruments mostly consist of forward foreign exchange contracts and currency options.

Financial instruments are initially recognised at their acquisition cost and are subsequently measured at fair value, either at the quoted market price for listed instruments or on the basis of generally accepted valuation models for unlisted instruments. Changes in fair value are recorded in the income statement.

Account holder activities

Some Group companies act as account holders, receiving deposits from their customers which they in turn deposit with clearing houses for the settlement of customer trades. Moreover, in connection with their online broking activities in equities, forex trading and spread betting, some Group companies receive deposits from customers which they in turn deposit with their clearing banks. Receivables and payables linked to these activities are recognised at fair value at their inception.

Matched principal activities

Some Group companies act as principal in the simultaneous purchase and sale of securities for the account of third parties. Such 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 at the time of delivery. Counterparty receivables and payables arising on outstanding transactions which have gone beyond the expected settlement date, are shown gross as separate items in specific accounts on both sides of the balance sheet. Counterparty receivables and payables in respect of matched principal transactions expected to be settled in the normal course of trading are presented off balance sheet in Note 30. Receivables and payables in connection with matched principal activities are recognised at fair value from their inception.

Prepayments and accrued income

This item includes prepayments credited to the following financial year, as well as income relating to the current period that will only be paid at a later date.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at their acquisition cost less accumulated depreciation and any impairment losses.
Depreciation is accounted for on a straight-line basis over the estimated useful life of the asset as follows:

- Fixtures and fittings:	5 to 10 years,
- Computing and telephone equipments:	2 to 5 years,
- Other tangible fixed assets:	3 to 5 years.

When elements of the same fixed asset have different estimated useful lives, they are recognised separately under intangible fixed assets and depreciated over their respective estimated useful lives.
Maintenance and repair expenses are carried to the income statement in the year in which they are incurred. Expenses incurred for increasing future economic benefits related to intangible fixed assets are capitalised and amortised.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. A lease is classified as an operating lease if this transfer does not take place.
Fixed assets acquired under finance leases are recognised on the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum rents payable at the start of the lease. They are amortised over the shorter of the term of the lease or the useful life of the assets, in accordance with Group valuation principles for tangible fixed assets. Related liabilities are recorded under financial debts.

Future liabilities arising from operating leases are recognised as an expense in the income statement over the term of the lease.

Treasury shares

Treasury shares are recorded on the balance sheet at their acquisition cost and charged against consolidated shareholders' equity. In the case of subsequent disposals, gains or losses have no effect on profit or loss but are recognised as an addition to, or reduction in premium reserves.

Goodwill

Goodwill arising on the acquisition of companies represents the excess of the cost of an acquisition over the fair value of its identifiable net assets.
Goodwill is allocated to cash-generating units and, since 1 January 2004, is no longer amortised but is tested annually for impairment. The value in use of goodwill is estimated using discounted cash flow projections. Goodwill identified on associates is included in the carrying amount of the investment in these companies.
Negative goodwill arising from an acquisition is recognised directly in the income statement.

Intangible fixed assets

Intangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any impairment losses.
Amortisation is accounted for on a straight-line basis over the estimated useful life, except where this is indefinite. Intangible fixed assets with indefinite useful lives are reviewed for impairment annually. Estimated useful lives are as follows:

- Softwares:	3 to 5 years,
- Other intangible fixed assets:	3 to 5 years,
- Business assets:	indefinite.

Impairment losses

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. To determine this amount, the Group uses market data or, where this is unavailable or unreliable, discounted future cash flow techniques.

For goodwill and intangible fixed assets with indefinite useful lives, the recoverable amount is reviewed for impairment at each balance sheet date, regardless of whether there is any indication of impairment.

An impairment loss is recognised in the income statement when the carrying amount of an asset or its cash-generating

unit (CGU) is greater than its recoverable amount. The recoverable amount of an asset is the higher of its net selling price and its value in use.
An impairment loss is recognised on a CGU, first, to reduce the carrying amount of any goodwill allocated to the CGU (group of units), and then on the other assets in the unit (group of units) pro rata to the carrying amount of each asset in the unit (group of units).

Financial debts

Interest-bearing short- and long-term financial debts are recognised initially at fair value less attributable transaction costs. Subsequently, they are measured using the amortised cost method, with any difference between the cost and redemption value being recognised in the income statement over the period of the debt on an effective interest basis.
Short-term financial debts are payable or renewable within one year.

Trade and other payables

Trade and other payables are due within one year and recognised at their face value.

Accruals and deferred income

This item includes charges chargeable to the current period that will be paid at a later date, and deferred income relating to the following financial year.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the time value of money is material, the amount of the provision is measured at the present value of the expected expenditure required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money.

Employee benefits

The Group operates both defined benefit and defined contribution plans, depending on the countries in which they are established and in accordance with local regulations on retirement benefit schemes.
Defined contribution plans are plans under which employees and Group companies pay contributions to an entity authorised to manage retirement funds. Payments by Group companies are recognised in the income statement in the period in which they are due.

The Group's obligations under defined benefit plans are valued each year by independent pension actuaries, using the projected unit credit method. The actuarial assumptions used to determine obligations vary in accordance with the country in which the plan operates.

At 1 January 2004, the date of transition to IFRS, all cumulative actuarial gains and losses were recognised. Group companies apply the corridor approach for any gains or losses arising after that date. A portion of their actuarial gains and losses is recognised in income or expenses, if the cumulative gains and losses not recognised at the previous reporting date exceed 10% of the greater of the present value of the defined benefit plan obligation at the balance sheet date (before deduction of pension assets) and the fair value of pension assets at the reporting date. This excess falling outside the corridor is charged or credited over the expected average remaining working lives of the relevant employees. Actuarial gains and losses not yet recognised in the income statement are reported on the balance sheet.

Other retirement obligations, such as termination benefits, are also determined by actuarial valuation using the projected unit credit method and are fully provisioned.

Share-based payments

Share options are granted to members of the Executive Board entitling them to receive shares at the end of the vesting period. The granting of options and conditions for employee participation are defined by the Board of Directors. When share options are exercised, new shares are created by using conditional capital (Note 25).

The fair value of share options granted is recognised as a personnel cost with a corresponding increase in equity. It is determined at the time of granting the options and amortised over the period in which the rights were acquired. It is determined by applying a binomial option pricing model and taking account of the general vesting characteristics and conditions prevailing at that date.

At each balance sheet date, the Group revises its estimates of the number of share options that will be exercised in the near future. The impact of this revision is recognised in the income statement with a corresponding adjustment in shareholders' equity.

Contingent assets and liabilities

Contingent assets and liabilities arising from past events whose existence will only be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control, are shown in the notes to the financial statements.

Events after the balance sheet date

Events after the balance sheet date are events that occur between the balance sheet date and the approval date of the financial statements.

The value of assets and liabilities at the balance sheet date is adjusted to reflect events after the balance sheet date that help confirm situations that existed at the reporting date. Material post-balance sheet events that are indicative of conditions that arose after the balance sheet date, are presented in the notes to the financial statements

New standards and interpretation

In 2006, the International Financial Reporting Interpretations Committee (IFRIC) published the following interpretations, which took effect after the balance sheet date:
IFRIC 8 – Scope of IFRS 2 ; periods beginning after 1 May 2006
IFRIC 9 – Reassessment of Embedded Derivatives ; periods beginning after 1 June 2006

The Group will apply the following standards from 1 January 2007.
IAS 1 – Amendments – Presentation of Financial Statements: Disclosure - Capital
IFRS 7 – Financial instruments: Disclosures

Compagnie Financière Tradition does not expect the initial application of these standards and interpretations to have any material impact on the Group's consolidated financial statements.

Following the application of IFRS 7, the Group will have to disclose additional information concerning its financial instruments, their significance and the nature and extent of the risks generated.

Moreover, under IAS 1, the Group will have to disclose additional information that enables users of the consolidated financial statements to evaluate the Group's objectives, policies and processes for managing capital.

1. Segment reporting

Disclosure by geographical segment

At 31 December 2006	Continuing operations				Discontinued operations	TOTAL
CHF 000	Europe	Americas	Asia-Pacific	TOTAL		
Turnover	537,868	364,605	241,950	1,144,423	37,136	1,181,559
Operating expenses(1)	-493,791	-318,214	-212,756	-1,024,761	-46,425	-1,071,186
Segment operating profit/(loss)	44,077	46,391	29,194	119,662	-9,289	110,373
Unallocated expenses(2)				-10,615	-	-10,615
Operating profit/(loss)				109,047	-9,289	99,758
Net financial income				28,575	4,001	32,576
Share of profit/(losses) of associates	82	56	-29	109	-	109
Income tax				-55,029	2,040	-52,989
PROFIT/(LOSS) FOR THE YEAR				82,702	-3,248	79,454
Segment assets	493,209	241,666	456,640	1,191,515	215,853	1,407,368
Investments in associates	514	588	-14	1,088	-	1,088
Unallocated assets(3)				41,044	-	41,044
TOTAL ASSETS				1,233,647	215,853	1,449,500
Segment liabilities	362,892	150,736	361,766	875,394	186,734	1,062,128
Unallocated liabilities(4)				104,613	-	104,613
TOTAL LIABILITIES				980,007	186,734	1,166,741
Costs incurred for acquisition of segment assets:						
Tangible fixed assets	6,347	6,443	5,670	18,460	399	18,859
Intangible fixed assets	1,216	48	792	2,056	686	2,742
Depreciation of tangible fixed assets	-7,780	-3,002	-3,622	-14,404	-800	-15,204
Amortisation of intangible fixed assets	-1,294	-194	-688	-2,176	-362	-2,538
Impairment losses	-	-	-	-	-789	-789
Other depreciation and amortisation	-736	-511	-1,431	-2,678	-10,266	-12,944

At 31 December 2005	Europe	Americas	Asia-Pacific	TOTAL	Discontinued operations	TOTAL
Turnover	435,088	267,062	212,524	914,674	27,721	942,395
Operating expenses(1)	-420,398	-243,994	-179,586	-843,978	-27,941	-871,919
Segment operating profit/(loss)	14,690	23,068	32,938	70,696	-220	70,476
Unallocated expenses(2)				-8,793	-	-8,793
Operating profit/(loss)				61,903	-220	61,683
Net financial income				8,286	2,018	10,304
Share of profit/(losses) of associates	-71	-16	16	-71	-	-71
Income tax				-30,230	-124	-30,354
PROFIT/(LOSS) FOR THE YEAR				39,888	1,674	41,562
Segment assets	382,910	313,989	341,518	1,038,417	179,037	1,217,454
Investments in associates	417	575	16	1,008	-	1,008
Unallocated assets(3)				49,281	-	49,281
TOTAL ASSETS				1,088,706	179,037	1,267,743
Segment liabilities	255,640	244,559	260,045	760,244	172,985	933,229
Unallocated liabilities(4)				97,734	-	97,734
TOTAL LIABILITIES				857,978	172,985	1,030,963
Costs incurred for acquisition of segment assets:						
Tangible fixed assets	6,044	3,434	5,412	14,890	578	15,468
Intangible fixed assets	1,531	510	958	2,999	150	3,149
Depreciation of tangible fixed assets	-7,024	-1,902	-2,686	-11,612	-870	-12,482
Amortisation of intangible fixed assets	-869	-328	-388	-1,585	-341	-1,926
Impairment losses	-	-439	-	-439	-	-439
Other depreciation and amortisation	1,991	-32	-408	1,551	-	1,551

(1) Expenses net of other operating income. (2) Net expenses relating to Group holding companies.
(3) Assets relating to Group holding companies. (4) Liabilities relating to Group holding companies

Europe mainly consists of the Group's activities in London, conducted in sterling. The Americas are mainly developed from New York, in dollars, while the Asia-Pacific region is dealt with out of Tokyo, in yen.

Disclosure by business segment

CHF 000	Currencies and interest rates		Securities and security derivatives		Commodities and other activities		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Turnover from continuing operations	581,838	486,521	384,947	302,828	177,638	125,325	1,144,423	914,674
Turnover from discontinued operations	-	-	6,284	6,166	30,852	21,555	37,136	27,721
Turnover for the year	581,838	486,521	391,231	308,994	208,490	146,880	1,181,559	942,395
Segment assets	693,034	628,523	466,000	399,181	248,334	189,750	1,407,368	1,217,454
Investments in associates	514	417	588	575	-14	16	1,088	1,008
Unallocated assets[3]							41,044	49,281
TOTAL ASSETS							1,449,500	1,267,743
Costs incurred for acquisition of segment assets:								
Tangible fixed assets	9,286	7,986	6,245	5,072	3,328	2,410	18,859	15,468
Intangible fixed assets	1,350	1,626	908	1,032	484	491	2,742	3,149

2. Other net operating income

An analysis of this item is shown below:

CHF 000	2006	2005
Net gains on disposal of fixed assets	-29	3,622
Net expenses related to the TFS-ICAP joint venture	-1,092	-872
Other operating income	7,122	-
TOTAL	6,001	2,750

As part of a dispute settlement with a former employee over the non-performance of his employment contract, Compagnie Financière Tradition received compensation in the form of shares in Gaitame.com Co. Ltd for an amount of CHF 218,000. The fair value of these securities, based on transactions between third parties during the same period, was CHF 4,269,000. The resulting income of CHF 4,051,000 was recognised under "Other operating income" (Note 34).

Net expenses related to the TFS-ICAP joint venture consist of ICAP and Volbroker's 72.5% share of Tradition Financial Services GmbH's results in currency options. Tradition Financial Services GmbH is fully consolidated in the accounts.

In 2005, a gain of CHF 3,794,000 million was recognised on the disposal of Compagnie Financière Tradition's two seats on the New York Stock Exchange (NYSE) for CHF 6,240,000, compared with a net carrying amount of CHF 2,446,000.

3. Other operating expenses

CHF 000	2006	2005
Telecommunication and financial information	73,162	69,984
Travel and representation	65,395	56,673
Rental buildings	20,792	19,377
Other operating expenses	88,846	61,700
TOTAL	248,195	207,734

4. Net financial income

An analysis of this item is shown below:

CHF 000	2006	2005
Financial income		
Interest income	6,371	3,186
Income from equity investments	214	163
Gains on financial assets	8,005	3,916
Gains on disposal of subsidiaries	17,822	-
Exchange gains	5,483	5,518
Other financial income	1,942	1,259
TOTAL	39,837	14,042
Financial expenses		
Interest expenses	-3,559	-2,257
Losses on financial assets	-122	-
Exchange losses	-7,378	-3,092
Interest expenses on assets under finance leases	-199	-138
Other financial expenses	-4	-269
TOTAL	-11,262	-5,756
NET FINANCIAL INCOME	28,575	8,286

Gains on financial assets mainly derive from the disposal of financial assets.

"Gains on disposal of subsidiaries" includes a net consolidated gain of CHF 17,822,000, recognised on the disposal of 80% of Compagnie Financière Tradition's interest in FXDirectDealer LLC (Note 32).

Exchange gains include CHF 2,265,000 related to exchange difference on the net investment in Cofitra Investments Inc., in liquidation at 31 December 2006, formerly reported under "Currency translation" in consolidated equity. The exchange difference relate to intercompany receivables abandoned during the winding-up of the company.

5. Income tax

An analysis of the tax charge is shown below:

CHF 000	2006	2005
Current tax		
Taxation for the year	51,496	32,180
Tax relating to previous years	-533	224
TOTAL	**50,963**	**32,404**
Deferred tax		
Creation and reversal of temporary differences	1,660	-197
Use of adjusted tax losses	2,406	-
Tax losses not previously recognised	-	-1,977
TOTAL	**4,066**	**-2,174**
INCOME TAX	**55,029**	**30,230**

An analysis of deferred tax by category in the income statement is shown below:

CHF 000	2006	2005
Tangible fixed assets	-146	-455
Intangible fixed assets	-511	5
Provisions	-497	66
Tax losses carried forward	2,406	-1,977
Other	2,814	187
TOTAL	**4,066**	**-2,174**

An analysis of the difference between the effective tax rate and the standard tax rate is shown below:

	2006		2005	
	Effect on tax rate (%)	Effect on the tax charge CHF 000	Effect on tax rate (%)	Effect on the tax charge CHF 000
Standard tax rate	**36.6%**	**48,529**	**34.0%**	**24,423**
Tax effect of the following items:				
Use of unadjusted tax loss carry forwards	-0.5%	-630	-1.2%	-871
Unadjusted tax loss for the year	1.1%	1,486	4.5%	3,226
Adjusted tax loss from previous years	-1.2%	-1,722	-1.9%	-1,340
Tax expense charged to minority interests for fiscally transparent companies fully consolidated	-2.4%	-3,139	-2.7%	-1,908
Deferred tax income/expense	3.1%	4,066	-2.1%	-1,536
Non-taxable income	-6.6%	-8,706	-0.6%	-423
Non-deductible expenses	9.5%	12,633	11.6%	8,331
Other	0.4%	472	0.6%	452
Group's effective tax rate	**40.0%**	**52,989**	**42.2%**	**30,354**
Of which:				
Tax expense on continuing operations		55,029		30,230
Tax expense on discontinued operations		-2,040		124

The average consolidated standard tax rate is measured as the weighted average of tax rates in effect in the various tax jurisdictions in which the Group has subsidiaries.

Deferred taxes by balance sheet category are made up of the following items:

CHF 000	2006	2005
Deferred tax assets		
Tangible fixed assets	2,858	2,138
Intangible fixed assets	1,359	254
Provisions	3,074	2,787
Tax losses carried forward	2,271	4,768
Other	4,602	3,998
TOTAL	**14,164**	**13,945**
Deferred tax liabilities		
Tangible fixed assets	853	230
Intangible fixed assets	255	41
Provisions	-	-
Other	4,281	438
TOTAL	**5,389**	**709**
TOTAL NET DEFERRED TAXES	**8,775**	**13,236**
Stated on the balance sheet as follows:		
Deferred tax assets	14,164	13,945
Deferred tax liabilities	5,389	709

Tax losses carried forward not reported on the consolidated balance sheet represented an amount of CHF 14,792,000 at 31 December 2006 (2005: CHF 12,462,000), which could reduce the Group's future consolidated tax charge. Deferred tax assets have not been recognised in respect of these losses carried forward as they have arisen in subsidiaries that have been loss making for some time. Almost the full amount is available indefinitely.

6. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year, less the average number of treasury shares held by the Group. Diluted earnings per share are calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year, including the weighted average number of shares which would be created in connection with the exercise of dilutive instruments, less treasury shares.

An analysis of the elements used to calculate earnings per share is shown below:

CHF 000	2006	2005
Profit from continuing operations attributable to shareholders of the parent	65,416	26,792
Profit/(loss) from discontinued activities attributable to shareholders of the parent	-3,702	1,674
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**61,714**	**28,466**

CHF	2006	2005
Weighted average number of shares outstanding	5,430,809	5,342,622
Adjustment for dilutive effect of share options	229,109	199,203
WEIGHTED AVERAGE NUMBER OF SHARES INCLUDED FOR THE DILUTED EARNINGS PER SHARE	**5,659,918**	**5,541,825**

7. Tangible fixed assets

At 31 December 2006 *CHF 000*	Fixtures and fittings	Computing and telephone	Other tangible fixed assets	TOTAL
Gross value at 1 January	35,782	62,889	4,205	**102,876**
Changes in the basis of consolidation	-27	-986	-	**-1,013**
Acquisitions	3,597	14,830	890	**19,317**
Disposals	-3,654	-4,054	-275	**-7,983**
Reclassifications	-596	-1,646	-348	**-2,590**
Currency translation	-164	49	-36	**-151**
GROSS VALUE AT 31 DECEMBER	**34,938**	**71,082**	**4,436**	**110,456**
Accumulated depreciation and impairment losses at 1 January	-23,596	-40,801	-1,939	**-66 336**
Changes in the basis of consolidation	-4	772	-	**768**
Depreciation	-4,326	-10,512	-514	**-15,352**
Disposals	3,646	4,091	199	**7,936**
Reclassifications	763	1 129	340	**2,232**
Currency translation	82	-279	18	**-179**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**-23,435**	**-45,600**	**-1,896**	**-70,931**
NET VALUE AT 31 DECEMBER	**11,503**	**25,482**	**2,540**	**39,525**
Of which assets under finance leases	122	6,277	212	**6,611**

At 31 December 2005 *CHF 000*	Fixtures and fittings	Computing and telephone	Other tangible fixed assets	TOTAL
Gross value at 1 January	34,370	53,525	3,987	**91,882**
Changes in the basis of consolidation	271	1,065	82	**1,418**
Acquisitions	3,304	11,514	1,053	**15,871**
Disposals	-3,758	-6,378	-1,374	**-11,510**
Reclassifications	-410	554	295	**439**
Currency translation	2,005	2,609	162	**4,776**
GROSS VALUE AT 31 DECEMBER	**35,782**	**62,889**	**4,205**	**102,876**
Accumulated depreciation and impairment losses at 1 January	-20,347	-36,181	-2,483	**-59,011**
Changes in the basis of consolidation	-100	-536	-288	**-924**
Depreciation	-4,046	-8,047	-537	**-12,630**
Disposals	2,141	6,229	1,280	**9,650**
Reclassifications	42	-708	180	**-486**
Currency translation	-1,286	-1,558	-91	**-2,935**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**-23,596**	**-40,801**	**-1,939**	**-66,336**
NET VALUE AT 31 DECEMBER	**12,186**	**22,088**	**2,266**	**36,540**
Of which assets under finance leases	195	2,804	362	**3,361**

Depreciation of CHF 15,352,000 (2005: CHF 12,630,000) on tangible fixed assets is reported under "Amortisation and depreciation" in the income statement.

The Group acquired tangible fixed assets of CHF 5,557,000 (2005: CHF 3,163,000) under finance leases, with no impact on investing activities included in the consolidated cash flow statement.

8. Intangible fixed assets

At 31 December 2006 CHF 000	Business assets	Software	Goodwill	Other intangible fixed assets	TOTAL
Gross value at 1 January	2,234	12,406	25,460	3,928	**44,028**
Changes in the basis of consolidation	-	-191	-	-	**-191**
Acquisitions	-	2,841	3,859	85	**6,785**
Disposals	-	-378	-	-27	**-405**
Reclassifications	-	-925	-	-192	**-1,117**
Currency translation	-45	-59	-136	-105	**-345**
GROSS VALUE AT 31 DECEMBER	**2,189**	**13,694**	**29,183**	**3,689**	**48,755**
Accumulated amortisation and impairment losses at 1 January	-1,176	-8,470	-439	-3,254	**-13,339**
Changes in the basis of consolidation	-	42	-	-	**42**
Impairment losses	-	-	-789	-	**-789**
Amortisation	-	-2,560	-	-135	**-2,695**
Disposals	-	345	-	21	**366**
Reclassifications	-	432	-	97	**529**
Currency translation	-10	51	-28	103	**116**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**-1,186**	**-10,160**	**-1,256**	**-3,168**	**-15,770**
NET VALUE AT 31 DECEMBER	**1,003**	**3,534**	**27,927**	**521**	**32,985**
Of which assets under finance leases	-	-	-	-	**-**

At 31 December 2005 CHF 000	Business assets	Software	Goodwill	Other intangible fixed assets	TOTAL
Gross value at 1 January	1,722	12,415	24,121	7,090	**45,348**
Changes in the basis of consolidation	-	78	-	-59	**19**
Acquisitions	498	2,939	1,267	1,231	**5,935**
Disposals	-	-3,296	-	-4,282	**-7,578**
Reclassifications	-111	-158	-	-162	**-431**
Currency translation	125	428	72	110	**735**
GROSS VALUE AT 31 DECEMBER	**2,234**	**12,406**	**25,460**	**3,928**	**44,028**
Accumulated amortisation and impairment losses at 1 January	-1,132	-9,660	-	-4,958	**-15,750**
Changes in the basis of consolidation	-	-5	-	-	**-5**
Impairment losses	-	-	-439	-	**-439**
Amortisation	-	-1,848	-	-120	**-1,968**
Disposals	-	3,226	-	1,824	**5,050**
Reclassifications	-	117	-	63	**180**
Currency translation	-44	-300	-	-63	**-407**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES AT 31 DECEMBER	**-1,176**	**-8,470**	**-439**	**-3,254**	**-13,339**
NET VALUE AT 31 DECEMBER	**1,058**	**3,936**	**25,021**	**674**	**30,689**
Of which assets under finance leases	-	-	-	-	**-**

Amortisation of CHF 2,695,000 on intangible assets (2005: CHF 1,968,000), and impairment losses of CHF 789,000 (2005: CHF 439,000) are reported under "Amortisation and depreciation" and "Impairment losses" respectively in the income statement.

An analysis of goodwill at 31 December 2006 is shown below:

CHF 000	2006			2005
	Gross value	Accumulated impairment losses	Net value	Net value
Finacor Deutschland GmbH	2,489	-	2,489	2,489
Tradition Wertpapierhandel GmbH	2,763	-	2,763	2,763
Gaitame.com Co., Ltd	3,508	-	3,508	-
Ong First Tradition (Pte) Ltd	866	-	866	860
S.P. Angel & Co. Ltd	817	-817	-	774
StreamingEdge.com Inc.	439	-439	-	-
TFS	18,301	-	18,301	18,135
TOTAL	**29,183**	**-1,256**	**27,927**	**25,021**
Govdesk LLC	318	-	318	343
TOTAL	**29,501**	**-1,256**	**28,245**	**25,364**

The cash-generating units (CGUs) are defined by the aggregate activities of entities that have generated this goodwill. Goodwill recognised on the balance sheet was tested for impairment using the discounted cash flow method for the activities relating to each item of goodwill. The normalised cash flow is discounted to determine the value of the underlying activity compared to the recognised goodwill, based on a 5-year business plan. The discount rates for measuring these valuations varied between 6.5% and 9.5%, in order to reflect the risk in each of the markets. These rates also include an additional risk premium because of the sensitivity of this assumption when discounting future cash flows.

Growth rates of 3% to 5% were used to estimate cash flow projection beyond the period covered by operating forecasts. These rates were based on past experience in line with the market in which these companies operate.

The different assumptions used for discounting future cash flows of CGUs are as follows:

en %	Discount rate	Growth rate
Finacor Deutschland GmbH	8.7%	3.0%
Tradition Wertpapierhandel GmbH	8.7%	3.0%
Gaitame.com Co., Ltd	6.5%	5.0%
Ong First Tradition (Pte) Ltd	7.8%	5.0%
TFS	7.3%	5.0%
Govdesk LLC	9.5%	3.0%

Discounted future cash flows for TFS are far higher than the goodwill recognised on the balance sheet because of its strongly profitable activities.

The valuations obtained using this method led to the recognition of goodwill impairment for S.P. Angel & Co. Ltd on the balance sheet at 31 December 2006.

9. Investments in associates

This item covers the share of associates accounted for using the equity method. Details of these companies are given in Note 34. They do not have quoted market prices.

An analysis of the share of net results and net assets of associates is shown below:

CHF 000	2006	2005
Share of profit/(loss)		
Govdesk LLC	56	-16
Fincor SGPS	82	-71
FXDirectDealer LLC	-	-
RG Asset Management Pte Ltd	-29	16
Energy Curves LLC	-	-
TOTAL	**109**	**-71**

CHF 000	2006	2005
Share of net assets		-
Govdesk LLC	588	575
Fincor SGPS	514	417
FXDirectDealer LLC	-	-
RG Asset Management Pte Ltd	-14	16
Energy Curves LLC	-	-
TOTAL	**1,088**	**1,008**

An analysis of assets, liabilities and equity of associates is shown below:

CHF 000	2006		
	Assets	Liabilities	Equity
Govdesk LLC	1,066	299	767
Fincor SGPS	95,428	92,858	2,570
FXDirectDealer LLC	39,801	42,940	-3,139
RG Asset Management Pte Ltd	578	623	-45
Energy Curves LLC	-	-	-
TOTAL	**136,873**	**136,720**	**153**

CHF 000	2005		
	Assets	Liabilities	Equity
Govdesk LLC	956	294	662
Fincor SGPS	27,061	24,978	2,083
FXDirectDealer LLC	-	-	-
RG Asset Management Pte Ltd	785	730	55
Energy Curves LLC	-	-	-
TOTAL	**28,802**	**26,002**	**2,800**

Interests in associates included goodwill of CHF 318,000 (CHF 343,000 at 31 December 2005).

An analysis of associates' turnover and net results is shown below:

CHF 000	2006		2005	
	Turnover	Net profit/ (loss)	Turnover	Net profit/ (loss)
Govdesk LLC	2,373	160	2,380	-46
Fincor SGPS	4,487	409	5,587	-354
FXDirectDealer LLC	-	-	-	-
RG Asset Management Pte Ltd	124	-98	598	52
Energy Curves LLC	-	-	-	-
TOTAL	**6,984**	**471**	**8,565**	**-348**

FXDirectDealer LLC was accounted for using the equity method from 29 December 2006 (Note 34).

Changes in investments in associates:

CHF 000	2006	2005
At 1 January	1,008	1,004
Profit/(loss) for the year	109	-71
Dividends paid	-	-11
Currency translation	-29	86
AT 31 DECEMBER	1,088	1,008

10. Financial assets at fair value

CHF 000	2006	2005
IFX Group plc	-	8,137
TOTAL	-	8,137

In August 2006, Compagnie Financière Tradition disposed of its entire shareholding of 5,225,000 shares in IFX Group plc at a share price of GBP 1.80, for a total of GBP 9,405,000. The capital gain of CHF 5,815,000 arising on the sale was recognised under financial income (Note 4).

11. Other financial assets

CHF 000	2006	2005
Loans to employees	3,344	6,927
Related party receivables (Note 32)	5,173	-
Other financial assets	5,931	5,901
TOTAL	14,448	12,828

Loans to employees bear interest at 1.5% and have an average maturity of 20 months.

Other financial assets include receivables held by Compagnie Financière Tradition and its subsidiaries from its former ultimate shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These receivables, totalling CHF 5,931,000 (CHF 5,901,000 at 31 December 2005), are secured by a promise to pay granted by VIEL et Compagnie Finance, Compagnie Financière Tradition's ultimate shareholder. Since the winding up of Comipar and Banque Pallas Stern began, Compagnie Financière Tradition and its subsidiaries have received liquidation dividends totalling CHF 19,250,000, or 76.5% of declared receivables. This amount is unchanged from last year. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.

12. Share in joint ventures

Details of jointly controlled companies consolidated under the proportionate consolidation method are set out in the table in Note 34. TFS, ICAP and Volbroker set up joint ventures in Tokyo, Singapore and Sydney, in connection with which TFS Currencies Pte Ltd, Tradition Financial Services Japan Ltd and TFS Australia Pty Ltd recognise 25% of the assets, liabilities, income and expenses related to broking activities in currency options. Moreover, Tradition Financial Services Ltd recognises 27.5% of the income and expenses of the Copenhagen joint venture between these same partners.

The joint venture in Frankfurt was not yet finalised at 31 December 2006. An accrued liability was recognised in this connection, to reflect the 72.5% share of TFS' partners in the profits and losses from the currency options business of its German subsidiary, Tradition Financial Services GmbH. This restatement led to a net charge of CHF 1,092,000 (2005: CHF 872,000) reported under "Other net operating income" (Note 2).

An analysis of the share in the assets, liabilities, income and expenses of joint ventures is shown below:

CHF 000	2006	2005
Share of joint ventures on the balance sheet		
Current assets	308,480	207,272
Non-current assets	16,669	6,477
TOTAL	325,149	213,749
Current liabilities	280,699	185,163
Non-current liabilities	5,983	2,892
TOTAL	286,682	188,055

CHF 000	2006	2005
Share of profit of joint ventures		
Income	109,853	93,892
Expenses	-85,318	-68,832
PROFIT FOR THE YEAR	24,535	25,060
Attributable to:		
Shareholders of the parent	13,567	13,373
Minority interests	10,968	11,687

13. Discontinued operations

The decision was made to dispose of subsidiaries providing services to retail customers in Europe and in the Americas. In Europe, the Group has been in the process of selling its interests in the spread betting company Monecor (London) Ltd, and in ABC Clearing Ltd since end-December 2006. These disposals are contingent on certain conditions, including approval from the UK regulator, the Financial Services Authority (FSA). Discussions are also under way with various investors on the sale of S.P. Angel & Co. In the U.S., the Group disposed of 80% of its holding in FXDirectDealer LLC, reducing its equity interest to 15% (Note 34).

Profit/(loss) from discontinued operations is as follows:

CHF 000	Europe		Americas		Total	
	2006	2005	2006	2005	2006	2005
Turnover	26,478	22,890	10,658	4,831	37,136	27,721
Other net operating income	-32	-	-	-	-32	-
OPERATING INCOME	26,446	22,890	10,658	4,831	37,104	27,721
Personnel costs	-11,077	-10,316	-6,295	-3,772	-17,372	-14,088
Other operating expenses	-24,502	-11,154	-2,569	-1,488	-27,071	-12,642
Depreciation and amortisation	-810	-878	-352	-333	-1,162	-1,211
Impairment losses	-789	-	-	-	-789	-
OPERATING EXPENSES	-37,178	-22,348	-9,216	-5,593	-46,394	-27,941
OPERATING PROFIT/(LOSS)	-10,732	542	1,442	-762	-9,290	-220
Net financial income	2,465	1,770	1,536	248	4,001	2,018
PROFIT/(LOSS) BEFORE TAX	-8,267	2,312	2,978	-514	-5,289	1,798
Income tax	2,640	-367	-599	243	2,041	-124
PROFIT/(LOSS) FOR THE YEAR	-5,627	1,945	2,379	-271	-3,248	1,674
Attributable to:						
Shareholders of the parent	-5,627	1,945	1,925	-271	-3,702	1,674
Minority interests	-	-	454	-	454	-

A provision of CHF 10,056,000 was recognised under "Other operating expenses" for receivables from account holder activities related to Monecor (London) Ltd's spread betting operations.

Cash flows related to discontinued operations are as follows:

CHF 000	2006	2005
Net cash flows from operating activities	3,028	5,527
Net cash flows from investing activities	-3,290	-1,861
Net cash flows from financing activities	12,597	-

Earnings per share from discontinued operations:

CHF	2006	2005
Basic earnings per share from discontinued operations	-0.69	0.32
Diluted earnings per share from discontinued operations	-0.76	0.31

The principal assets and liabilities of companies held for sale at 31 December 2006 are shown below:

CHF 000	2006	2005
Tangible fixed assets	628	160
Intangible fixed assets	638	-
Deferred tax assets	65	-
Unavailable cash	-	1,696
Prepayments and accrued income	545	-
Receivables related to account holder activities	180,735	-
Tax receivables	1,923	-
Trade and other receivables	2,742	469
Financial assets at fair value	213	-
Cash and cash equivalents (Note 17)	28,364	2,418
ASSETS HELD FOR SALE	215,853	4,743
Short-term financial debts	13,039	-
Trade and other payables	1,453	276
Payables related to account holder activities	171,630	-
Accruals and deferred income	612	-
LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE	186,734	276
CARRYING AMOUNT OF NET ASSETS	29,119	4,467

The carrying amount of net assets approximately corresponds to their fair value.

Short-term financial debts carry a variable interest rate of 7.25% and are repayable on demand.

Cash flows from the disposal of FXDirectDealer LLC are shown below:

CHF 000	2006
Tangible fixed assets	167
Intangible fixed assets	342
Other assets	287
Receivables related to account holder activities	34,744
Cash and cash equivalents	3,660
Trade and other payables	-7,441
Payables related to account holder activities	-35,346
Other liabilities	-152
Minority interests	-611
CARRYING AMOUNT OF NET ASSETS SOLD	-4,350
Share of carrying amount of net assets sold (80%)	-3,480
Net profit on disposal	17,822
NET SALE PRICE	14,342
Cash and cash equivalents sold	-3,660
Net sale price to be received	-14,342
CASH FLOW FROM SALE	- 3,660

14. Account holder activities

Tradition Securities And Futures S.A. and Ong First Tradition (Pte) Ltd. act as account holders, receiving deposits from their customers which they in turn deposit with clearing houses for the settlement of customer trades.

Gaitame.com Co. Ltd receives deposits from customers in connection with its online forex broking activities, which it in turn deposits with clearing banks.

Assets and liabilities relating to these activities, reported on the balance sheet under "Receivables related to account holder activities" and "Payables related to account holder activities", are shown below:

CHF 000	2006	2005
Receivables related to account holder activities		
Deposits paid	313,079	365,252
Current accounts with clearing houses	36,701	41,536
Trading accounts	23,343	43,815
TOTAL	373,123	450,603
Payables related to account holder activities		
Deposits received	339,422	377,980
Current accounts with clearing houses	2,102	5,180
Trading accounts	45,455	65,226
TOTAL	386,979	448,386
NET TOTAL	-13,856	2,217

The net balance of these activities represents the difference between amounts received from customers and amounts transferred to clearing houses. This balance is placed on deposit with banks or borrowed short-term.

15. Trade and other receivables

An analysis of this item is shown below:

CHF 000	2006	2005
Trade debtors	138,732	127,857
Employee receivables	46,289	44,219
State and social security bodies	472	591
Collateral deposits	9,379	6,936
Related party receivables (Note 32)	22,700	3,467
Other short-term receivables	14,811	15,263
TOTAL	232,383	198,333

After deduction of necessary provisions of CHF 1,804,000 for customer receivables (2005: CHF 2,536,000).

"Employee receivables" includes bonuses paid in advance and spread over the duration of the contracts of a small number of employees. Expense relating to these bonuses is recognised in the income statement on a straight-line basis over the life of the contract.

16. Financial assets at fair value

An analysis of financial assets held for trading is shown below:

CHF 000	2006	2005
Bonds	2,507	2,694
Shares	2,297	6,558
Investment funds	383	518
TOTAL	5,187	9,770

Fair value is measured on the basis of the most recent traded price of these financial assets.

In the third quarter, Compagnie Financière Tradition disposed of its entire shareholding of 700,000 shares in JSE Ltd at a share price of ZAR 26.0, for a total of ZAR 18,200,000. The capital gain of CHF 1,773,000 arising on the sale was recognised under financial income (Note 4).

17. Cash and cash equivalents

CHF 000	2006	2005
Cash and call deposits with banks	190,364	138,009
Short-term deposits with banks	62,818	34,458
Short-term money market investments	10,062	28,945
Cash and cash equivalents on the balance sheet	263,244	201,412
Cash and cash equivalents attributable to discontinued operations (Note 13)	28,364	-
less: Bank overdrafts (Note 18)	-	-274
Cash and cash equivalents in the cash flow statement	291,608	201,138

Cash and deposits held on call with banks earn variable interest, based on daily bank rates. Short-term bank deposits have maturities of between one day and one month depending on the Group's liquidity requirements, and earn interest at the bank rate prevailing during the respective periods.

18. Financial debts

CHF 000	2006	2005
Short-term		
Bank overdrafts	-	274
Bank borrowings	79,267	85,737
Short-term portion of long-term bank borrowings	2,607	2,470
Short-term obligations under finance leases	2,176	1,144
	84,050	89,625
Long-term		
Bank borrowings	6,297	10,112
Obligations under finance leases	5,149	2,953
	11,446	13,065
TOTAL	95,496	102,690

Contract dates for setting interest on bank borrowings are less than 2 months.

The long-term bank borrowings of CHF 6,297,000 (CHF 10,112,000 at 31 December 2005) consist of a debt of CHF 6,297,000, owed by Tradition (UK) Ltd, repayable in instalments of CHF 210,000, and maturing in May 2010.

In April 2006, early repayment was made on a long-term bank loan of JPY 150 million (CHF 1,617,000) carried by Meitan Tradition Co. Ltd, which was due to mature in November 2010.

The carrying amount of short- and long-term financial debts corresponds approximately to their fair value.

The Group's financial debts at year-end were denominated in the following currencies:

CHF 000	Fixed rate	Variable rate	Total
CHF	-	78,000	78,000
GBP	-	10,111	10,111
YEN	5,537	-	5,537
USD	1,788	60	1,848
TOTAL	7,325	88,171	95,496
Of which:			
Less than 1 year	2,176	81,874	84,050
1 to 5 years	5,149	6,297	11,446
Over 5 years	-	-	-

An analysis of average interest rates on bank borrowings is shown below:

	2006	2005
CAD	-	7.50%
CHF	2.95%	1.94%
GBP	7.25%	6,.40%
JPY	5.35%	2.33%
USD	12.08%	8.25%

The Group's bank borrowings at year-end were collateralised to the extent of CHF 79,267,000 (CHF 85,737,000 at 31 December 2005). Of this amount, CHF 78,000,000 (CHF 85,000,000 at 31 December 2005) is guaranteed by a pledge of its equity investments in some of its subsidiaries, and CHF 1,207,000 (CHF 645,000 at 31 December 2005) by the pledge of securities to be delivered in connection with matched principal activities.

Unused credit facilities at 31 December amounted to CHF 11,313,000 (CHF 6,000,000 at 31 December 2005).

19. Provisions

An analysis of provisions is as follows:

CHF 000	Pensions and post-employment benefits	Litigation	Taxes	TOTAL
At 1 January 2005	12,269	4,688	2,186	19,143
Change in basis of consolidation	23	-	-	23
Reclassifications	-	-68	169	101
Recognised	2,142	46	711	2,899
Used	-1,699	-1,901	-407	-4,007
Reversed	-730	-1,550	-67	-2,347
Currency translation	92	248	24	364
AT 31 DECEMBER 2005	12,097	1,463	2,616	16,176
Change in basis of consolidation	15	-	-	15
Reclassifications	-	-	-	-
Recognised	2,900	1,374	381	4,655
Used	-517	-178	-124	-819
Reversed	-	-	-103	-103
Currency translation	-514	-42	90	-466
AT 31 DECEMBER 2006	13,981	2,617	2,860	19,458

Provisions for pensions and post-employment benefits recognised in the balance sheet cover the Group's obligations arising under defined contribution and defined benefit plans. Details of net liabilities under defined benefit plans are disclosed in Note 23.

A number of subsidiaries recognise liabilities for litigation, mainly in connection with salary disputes. The timing of any cash outflows relating to these provisions is uncertain, since it will depend on the outcome of the relevant cases. They have therefore not been discounted, as their present value would not be a reliable estimate.

Compagnie Financière Tradition and its subsidiary, Tradition Securities And Futures S.A. (TSAF) were subject to tax audits in 2003 and 2006, involving the 2000 to 2003 financial years. In December 2003 and 2006, they received tax adjustment notices, mainly concerning Compagnie Financière Tradition's tax treatment of certain provisions. The tax adjustments accepted were covered by a provision of CHF 2,860,000 at 31 December 2006.

20. Trade and other payables

An analysis of trade and other payables is shown below:

CHF 000	2006	2005
State and social security bodies	22,697	23,390
Payables relating to broking operations	2,690	1,088
Related party payables (Note 32)	24,303	8,059
Other short-term payables	32,595	32,475
TOTAL	82,285	65,012

21. Tax payables and receivables

Consolidated tax payables at 31 December amounted to CHF 25,300,000 (CHF 20,547,000 at 31 December 2005).

Tax receivables of CHF 5,855,000 (CHF 4,180,000 at 31 December 2005) consisted mainly of tax instalments paid by Group companies.

22. Prepayments and accruals

An analysis of prepayments and accruals is shown below:

CHF 000	2006	2005
Prepayments and accrued income		
Prepaid expenses	14 563	14 779
Accrued income	100	-
TOTAL	14 663	14 779

CHF 000	2006	2005
Accruals and deferred income		
Employee compensation and benefits	110,800	93,813
Other accrued expenses	18,371	14,474
TOTAL	129,171	108,287

23. Employee benefits

Pension benefits for most Compagnie Financière Tradition employees are insured under defined contribution plans. Defined benefit plans are confined mainly to employees based in Switzerland where benefits depend on the insured salary at the end of their career, and their length of service.

Recognised balance sheet assets and liabilities

CHF 000	2006	2005
Present value of obligations	36,704	36,067
Fair value of plan assets	-30,496	-26,787
EXCESS OF PLAN OBLIGATIONS	6,208	9,280
Unrecognised actuarial net (gains)/losses	567	-2,872
NET DEFINED BENEFIT LIABILITIES	6,775	6,408

Movements in present value of obligations

CHF 000	2006	2005
Present value of obligations at 1 January	36,067	33 905
Current service cost	1,587	1 584
Financial cost	1,113	992
Actuarial (gains)/losses	-2,084	1 149
Employee contributions	429	560
Benefits paid	-458	-2 183
Currency translation	50	60
PRESENT VALUE OF OBLIGATIONS AT 31 DECEMBER	36,704	36 067

Movements in the fair value of plan assets

CHF 000	2006	2005
Fair value of plan assets at 1 January	26,787	26,001
Expected return on plan assets	1,197	1,132
Actuarial gains/(losses)	1,363	-2
Employer contributions	938	1,177
Employee contributions	429	560
Benefits paid	-206	-2,088
Currency translation	-12	7
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**30,496**	**26,787**

Group contributions to defined benefit plans in 2007 are estimated at CHF 1,114,000.

Fair value of assets classes as a percentage of total plan assets is as follow

CHF 000	2006	2005
Shares	27.4%	27.8 %
Bonds	52.4%	53.1%
Property	9.7%	11.0%
Insurance contracts	2.0%	2.0%
Other	8.5%	6.1%
TOTAL	**100.0%**	**100.0%**

Expected return on pension assets is based on long-term forecasts for inflation, interest rates and risk premiums for the various asset classes. These forecasts take account of long-term historical returns.

Expense recognised in the income statement

CHF 000	2006	2005
Current service cost	1,587	1,584
Financial cost	1,113	992
Expected return on plan assets	-1,197	-1,132
Net actuarial (gains)/losses recognised in the year	-78	-276
DEFINED BENEFIT EXPENSE	**1,425**	**1,168**

CHF 000	2006	2005
Actual return on pension assets	1,357	1,125

Main actuarial assumptions

	2006	2005
Discount rates	3.54%	3.48%
Expected return on plan assets	4.38%	4.38%
Future salary increases	4.11 %	4.10%
Future pension increases	0.29%	0.29%

Additional disclosures

CHF 000	2006	2005
Present value of obligations	36,704	36,067
Fair value of plan assets	-30,496	-26,787
EXCESS OF PLAN OBLIGATIONS	**6,208**	**9,280**
Experience adjustments on plan liabilities	-497	-521
Experience adjustments on plan assets	1,363	-2

Expenses related to defined benefit and defined contribution plans are shown under "Personnel costs". Expenses associated with defined contribution plans amounted to CHF 5,043,000 (2005: CHF 4,571,000). Provisions for defined contribution plans stood at CHF 7,206,000 at year-end compared with CHF 5,689,000 a year earlier.

24. Share-based payments

An analysis of the Group's employee share options at 31 December 2006 is shown below:

Grant date	Number of options *of CHF 2.50 nominal value*	Potential increase in capital *CHF*	Start of exercise date[1]	Expiry date	Exercise price *CHF*
Plan of 10.03.00	266,000	665,000	88,800 securities on 10.03.01 88,800 securities on 10.03.02 88,400 securities on 10.03.03	09.03.12	60.00
Plan of 17.05.02	40,000	100,000	40,000 securities on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 securities on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 securities on 08.09.05	07.09.13	92.25
Plan of 24.04.06	75,000	187,500	75,000 securities on 24.04.09	23.04.16	129.90
TOTAL	**537,094**	**1,342,735**			

[1] *Employees must still be employed by the Group to exercise these share options.*

75,000 share options were granted to Group employees in 2006. Fair value is determined on the date the options are granted, applying a binomial option pricing model, and takes account of the general vesting characteristics and conditions prevailing at that date.

The following valuation parameters, based on historical observations, were used to determine the fair value of share options granted on 24 April 2006:

- Dividend yield: 4.23 %
- Expected volatility: 33.29 %
- Risk-free interest rate: 2.65 %

The fair value of each of the options on the grant date was CHF 23.54.

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

CHF	2006		2005	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at beginning of year	71.67	462,094	69.26	481,600
Granted	129.90	75,000	-	-
Exercised	-	-	12.00	-18,588
Lapsed	-	-	-	-
Cancelled	-	-	12.00	-918
OUTSTANDING AT END OF YEAR	**79.80**	**537,094**	**71.67**	**462,094**
EXERCISABLE AT END OF YEAR	**68.74**	**356,000**	**68.74**	**356,000**

Options exercised only give the right to receive shares. Costs of share-based payments in 2006 amounted to CHF 392,000 (2005: CHF 356,000).

25. Capital

Composition of capital

At 31 December 2006, share capital consisted of 5,468,357 bearer shares of CHF 2.50 nominal value, for a total capital of CHF 13,670,892, unchanged from the previous year.

Major shareholders

Financière Vermeer BV, Amsterdam held 67.43% of the voting rights in Compagnie Financière Tradition at 31 December 2006, unchanged from the previous year.
Financière Vermeer is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 54.61% interest at 31 December 2006 against 54.78% at 31 December 2005.

Authorised capital

The Company's capital may be increased by up to CHF 5,758,327 through the issuance of up to 2,303,331 new bearer shares with a nominal value of CHF 2.50. The Board of Directors shall set the issue price and the date from which the new shares are to carry dividend rights. This authority is valid until 18 May 2007. The Board is empowered to suspend or limit current shareholders' pre-emptive rights to enable acquisitions or equity stakes. Subscription rights for which a pre-emptive right is granted but not exercised are available to the Board to be used in the Company's interest.

Conditional capital

The Company's capital may be increased by up to CHF 1,357,530 through the issuance of up to 543,012 new bearer shares with a nominal value of CHF 2.50. The increase shall take place through the exercise of a pre-emption right by employees of the Company. The pre-emptive rights of existing shareholders are cancelled. The conditions under which employees may participate shall be defined by the Board of Directors. The characteristics of share options granted to Company employees are disclosed in Note 24.

Moreover, the Company's capital may be increased by up to CHF 5,000,000 through the issuance of up to 2,000,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out through the exercise of conversion rights, granted in relation to the Company's issuance of bonds or similar convertible debt securities on the national and international capital markets. The pre-emptive rights of existing shareholders are cancelled. The conditions of issue of such borrowings shall be defined by the Board of Directors, with a conversion right based on an issue price of no less than the average market price during the twenty days preceding the issue. Shareholders' pre-emptive right to subscribe such borrowings is cancelled. Conversion rights must be exercised within five years of the issue date, after which they expire.

26. Consolidated reserves

An analysis of this item is shown below:

CHF 000	Retained earnings	General reserve	Reserve for treasury shares	Other reserves	Consolidated reserves
AT 1 JANUARY 2005	**149,938**	**17,570**	**15,418**	**9,513**	**192,439**
Appropriation to reserves	-1,086	-	-1,464	2,550	-
Dividends paid	-32,068	-	-	-	-32,068
Effect of changes in the basis of consolidation	-147	-	-	-	-147
Impact of recognition of share options	356	-	-	-	356
Profit for the year	28,466	-	-	-	28,466
AT 31 DECEMBER 2005	**145,459**	**17,570**	**13,954**	**12,063**	**189,046**
Reversal of other reserves	20,543	5,474	-13,954	-12,063	-
Dividends paid	-32,810	-	-	-	-32,810
Impact of recognition of share options	392	-	-	-	392
Profit for the year	61,714	-	-	-	61,714
AT 31 DECEMBER 2006	**195,298**	**23,044**	**-**	**-**	**218,342**

The general reserve and the reserve for treasury shares are not available for distribution.

27. Treasury shares

The Group did not directly hold any treasury shares at year-end; it held 123,681 shares with a gross value of CHF 13,954,000 at 31 December 2005.

	Book value CHF 000	Acquisition or redemption price CHF 000	No. of shares of CHF 2.50 nominal value
AT 1 JANUARY 2006	**13,954**	**13,954**	**123,681**
Acquisitions	318	318	2,500
Disposals	-14,272	-16,403	-126,181
Realised gains and losses	-	2,131	-
AT 31 DECEMBER 2006	**-**	**-**	**-**

The gross capital gain of CHF 2,131,000 is recognised in consolidated shareholders' equity as a contribution to the premium reserve, after allowing for appropriate income tax.

28. Dividends

Dividends are not recognised until after they have received shareholder approval. The Board of Directors is recommending the following dividend:

CHF 000	2006	2005
2006 dividend of CHF 7.0 per share (2005: CHF 6.0)	**38,278**	32,810

29. Guarantees and conditional commitments

Guarantees and conditional commitments given

Compagnie Financière Tradition guaranteed an amount of CHF 2,325,000 for annual interest payments and scheduled repayments on a mortgage granted to its majority shareholder, Financière Vermeer BV.

Guarantees and conditional commitments received

When VIEL et Compagnie Finance purchased the shares of Compagnie Financière Tradition held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition and its subsidiaries the difference between aggregate receivables due from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition and its subsidiaries in respect of such receivables. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie. This undertaking relates to receivables of EUR 16,444,000, declared by Compagnie Financière Tradition and its subsidiaries at the time Comipar and Banque Pallas Stern went into receivership. VIEL et Compagnie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.
Between 1999 and 2006, Compagnie Financière Tradition and its subsidiaries received partial repayments from Banque Pallas Stern and Comipar, bringing total unsecured dividends received since their liquidation to 76.5% of declared receivables. This brought the Group's residual receivables to CHF 5,931,000 at 31 December (CHF 5,901,000 at 31 December 2005).

Operating leases

An analysis of minimum future lease payments relating to the non-cancellable contract period is shown below:

CHF 000	2006	2005
Less than 1 year	**19,197**	16,387
Between 1 to 5 years	**31,761**	30,199
Over 5 years	**27,010**	10,071
MINIMUM FUTURE LEASE PAYMENTS	**77,968**	**56,657**

These leasing commitments, which are not carried on the balance sheet, mainly concern office rentals for Group companies. The amounts shown relate to the non-cancellable contract period only.
Operating lease charges amounted to CHF 23,375,000 (2005: CHF 21,504,000) and are included under "Other operating expenses".

Finance leases

An analysis of future minimum commitments relating to the non-cancellable contract period and discounted value of minimum payments is shown below:

CHF 000	2006		
	Minimum lease commitments	**Interest**	**Principal**
Less than 1 year	**2,176**	**380**	**2,556**
Between 1 to 5 years	**5,149**	**362**	**5,511**
Over 5 years	**-**	**-**	**-**
TOTAL	**7,325**	**742**	**8,067**

CHF 000	2005		
	Minimum lease commitments	Interest	Principal
Less than 1 year	1,144	151	1,295
Between 1 to 5 years	2,953	197	3,150
Over 5 years	-	-	-
TOTAL	**4,097**	**348**	**4,445**

30. Off-balance sheet operations

Commitments to deliver and receive securities

CHF 000	2006	2005
Commitments to deliver securities	**38,960,689**	81,006,300
Commitments to receive securities	**38,962,428**	81,011,492

Commitments to deliver and receive securities reflect buy and sell operations on securities entered into before 31 December 2006 and closed out after that date, in connection with matched principal activities of Tradition London Clearing Ltd, Tradition Asiel Securities Inc., TFS Derivatives Ltd, TFS Securities Pte Ltd and Tradition Securities and Futures S.A.

Derivative financial instruments

Derivative financial instruments entered into at 31 December 2006 and 2005 are shown below:

At 31 December 2006

Forward foreign exchange contracts

Currency	Notional amount	Maturity date	Positive revaluation	Negative revaluation
			CHF 000	
USD	2,000,000	29 January 2007	74	-
USD	3,000,000	28 February 2007	97	-
USD	1,000,000	12 September 2007	32	-
USD	1,000,000	13 September 2007	58	-
USD	1,500,000	15 November 2007	34	-
USD	750,000	29 November 2007	7	-
USD	2,000,000	27 December 2007	-	2
ZAR	5,000,000	5 March 2007	-	22
ZAR	5,000,000	12 March 2007	-	13
EUR	1,000,000	19 March 2007	57	-
EUR	1,000,000	11 May 2007	51	-
EUR	1,000,000	16 May 2007	39	-
EUR	2,000,000	15 November 2007	27	-
TOTAL			**476**	**37**

These currencies are sold forward against sterling.

Currency options

Currency	Notional amount	Maturity date	Positive revaluation	Negative revaluation
			CHF 000	
USD[1]	25,000,000	8 June 2007	561	-
USD[2]	25,000,000	8 June 2007	-	152
TOTAL			**561**	**152**

[1] *Call option against the euro.* [2] *Put option against the euro.*

At 31 December 2005

Forward foreign exchange contracts

Currency	Notional amount	Maturity date	Positive revaluation	Negative revaluation
			CHF 000	
USD	825,000	16 May 2006	-	74
USD	1,100,000	24 July 2006	-	8
USD	2,325,000	29 August 2006	-	109
USD	750,000	29 November 2006	-	-
ZAR	5,000,000	1 June 2006	-	31
EUR	1,000,000	11 May 2006	16	-
EUR	1,000,000	16 May 2006	20	-
TOTAL			**36**	**222**

These currencies are sold forward against sterling.

31. Unavailable cash

CHF 000	**2006**	2005
Call deposits and securities given as collateral in connection with broking activities	**15,502**	12,301

In addition to these call deposits held as collateral with clearing houses, such as Euroclear and the Fixed Income Clearing Corporation (FICC), certain subsidiaries are subject to minimum equity restrictions set by their regulatory authorities, which limit the availability or free use of their cash holdings within the Group.

32. Related party transactions

Nature of duties of key management personnel

Key management personnel are the members of the Group's Executive Board. Their essential duties encompass managing all operating teams across the Group's various geographical zones, and responsibility for strategy, finance and internal control.

Key management remuneration

en milliers de francs suisses	**2006**	2005
Salaries and bonuses	**21,079**	14,303
Fringe benefits	**431**	423
TOTAL	**21,510**	**14,726**

75,000 share options were granted to key management personnel during the year, and a charge of CHF 392,000 was recognised on share-based payments (Note 24).

No compensation in the form of post-employment benefits, termination benefits, share-based payments, or in any other form of short- or long-term benefits was received by key management personnel in 2006 and 2005.

Short-term related party receivables

CHF 000	**2006**	2005
Receivables from associates	**7,446**	290
Receivables from related companies	**1,955**	1,144
Receivables from shareholder and associated companies	**2,484**	2,033
Receivables from key management personnel	**10,815**	-
TOTAL	**22,700**	**3,467**

Long-term related party receivables

CHF 000	**2006**	2005
Receivables from key management personnel	**5,173**	-
TOTAL	**5,173**	**-**

Short-term payables to related parties

CHF 000	**2006**	2005
Payables to related companies	**1,795**	1,659
Payables to shareholder and associated companies	**20,862**	6,400
Payables to other related parties	**1,646**	-
TOTAL	**24,303**	**8,059**

"Receivables from shareholder and associated companies" and "Payables to shareholder and associated companies" include all receivables and payables due to or by Compagnie Financière Tradition and its subsidiaries in respect of their ultimate majority shareholder, VIEL et Compagnie Finance, Paris, and subsidiaries of that company.

Related party transactions

Compagnie Financière Tradition sold 80% of its stake in FXDirectDealer LLC to Tradition Service Holding's Managing Director of operations for the Americas for CHF 16,920,000. The consolidated net gain of CHF 17,822,000 arising on this sale was recognised under "Net financial income" (Note 4). The sale price is payable in six quarterly instalments, with the last payment due on 1 April 2008. A total receivable of CHF 15,988,000, with effective interest of 4.97%, is therefore shown under short- and long-term "Receivables from key management personnel" at 31 December 2006.

Business finders' fees of CHF 1,646,000 are payable to Derivatives Marketing Associates Inc., a company held by the purchaser. This amount is reported under "Payables to other related parties" and is due on 28 January 2007.

On 1 July 2004, Compagnie Financière Tradition and its direct majority shareholder signed a 5-year lease based on rental values prevailing in the market. Rental charges of CHF 910,000 (unchanged from last year) were recognised under "Other operating expenses".

A liquidity contract was signed in May 2000 with a company related to one of the Group's Directors, under which it was appointed marketmaker for Compagnie Financière Tradition's shares. Fees and commissions of CHF 167,000 were paid in 2006 in relation to this mandate (2005: CHF 20,000).

Guarantees and conditional commitments from related parties

When VIEL et Compagnie Finance purchased the shares of Compagnie Financière Tradition held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition and its subsidiaries the difference between aggregate receivables due from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition and its subsidiaries in respect of such receivables (Note 29).

The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.

Consolidation of Compagnie Financière Tradition

Compagnie Financière Tradition is consolidated in the financial statements of VIEL & Cie, whose registered office is at 253 Boulevard Pereire, 75017 Paris.

33. Exchange rates

The main exchange rates against the Swiss franc used in the consolidation are shown below:

		2006		2005	
		Year-end rate	Average rate	Year-end rate	Average rate
1 Euro	EUR	1.6096	1.5733	1.5581	1.5480
1 British pound	GBP	2.3890	2.3080	2.2640	2.2643
1 Japanese yen	JPY	0.0102	0.0108	0.0112	0.0113
1 US dollar	USD	1.2197	1.2536	1.3157	1.2454

34. Basis of consolidation

The table below shows the consolidated companies, the percentage interests held directly or indirectly, and the method of consolidation used for each company.

	New companies	Country	Controlling interest	Equity interest	Capital in thousands		Method FCM/PCM/EM
COMPAGNIE FINANCIERE TRADITION		Switzerland			CHF	13,671	Consolidating company
1. FINANCIAL COMPANIES							
TRADITION SERVICE HOLDING S.A., LAUSANNE		Switzerland	100.00%	100.00%	CHF	21,350	FCM
Tradition (UK) Ltd, London		United Kingdom	100.00%	100.00%	GBP	15,050	FCM
Tradition Bond Brokers Ltd, London		United Kingdom	100.00%	100.00%	GBP	9,160	FCM
Tradition Beaufort House Ltd, London		United Kingdom	100.00%	100.00%	GBP	n/s	FCM
Monecor (London) Ltd, London		United Kingdom	100.00%	100.00%	EUR	11,621	FCM
S.P. Angel & Co. Ltd, London		United Kingdom	100.00%	100.00%	GBP	4,638	FCM
ABC Clearing Ltd, London		United Kingdom	100.00%	100.00%	GBP	1,600	FCM
Tradition (London Clearing) Ltd, London		United Kingdom	100.00%	100.00%	GBP	2,000	FCM
Tradition Government Bond Brokers and Derivative Brokers (Pty) Ltd, Johannesburg		South Africa	100.00%	100.00%	ZAR	1,000	FCM
Finacor Belgium S.A., Brussels		Belgium	99.95%	99.95%	EUR	149	FCM
Tradition Luxembourg S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR	1,222	FCM
Tradition Eurobond S.A., Luxembourg		Luxembourg	100.00%	100.00%	EUR	500	FCM
Finance 2000 S.A., Paris		France	100.00%	100.00%	EUR	4,575	FCM
Tradition Securities And Futures S.A., Paris, and London branch		France	99.87%	99.87%	EUR	13,325	FCM
VIEL Tradition S.A., Paris		France	99.94%	99.81%	EUR	10,601	FCM
Finacor & Associés S.A., Brussels		Belgium	100.00%	99.87%	EUR	497	FCM
Tradition Wertpapierhandel GmbH, Frankfurt		Germany	100.00%	100.00%	EUR	2,531	FCM
Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR	547	FCM
Tradition S.A., Lausanne		Switzerland	100.00%	100.00%	CHF	100	FCM
Tradition Italia Sim S.p.A., Milan		Italy	100.00%	100.00%	EUR	1,550	FCM
Fincor SGPS, Lisbon		Portugal	20.00%	20.00%	EUR	1,347	EM
Tradition (North America) Inc., New York		United States	100.00%	100.00%	USD	14,500	FCM
Tradition Securities And Futures Inc., New York		United States	100.00%	100.00%	USD	n/s	FCM
FXDirectDealer LLC, New York		United States	15.00%	15.00%	USD	750	EM
Elite Broker S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN	50	FCM
Asesorias e Inversiones Tradition Chile Ltda, Santiago		Chile	100.00%	100.00%	CLP	2,218,955	FCM
Tradition Chile Agentes de Valores Ltda, Santiago		Chile	100.00%	100.00%	CLP	476,805	FCM
Tradition Asiel Securities Inc., New York		United States	100.00%	100.00%	USD	5	FCM
Tradition (Global Clearing) Inc., New York		United States	100.00%	100.00%	USD	n/s	FCM
Tradition Services (Delaware) Corp., Delaware		United States	100.00%	100.00%	USD	n/s	FCM
Govdesk LLC, Redondo Beach		United States	35.00%	35.00%	USD	75	EM
VIEL Debeausse & Co. Inc., New York		United States	91.00%	91.00%	USD	50	FCM
Tradition Brasil Consultoria Empresarial Ltda, São Paulo	✔	Brazil	100.00%	100.00%	BRL	1,564	FCM
Tradition Services S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN	50	FCM
Tradition Argentina S.A., Buenos Aires		Argentine	100.00%	100.00%	ARS	250	FCM
Meitan Tradition Co. Ltd, Tokyo		Japan	55.34%	55.34%	JPY	300,000	FCM
Gaitame.com Co., Ltd, Tokyo		Japan	41.82%	23.78%	JPY	788,604	PCM
Tradition (Asia) Ltd, Hong Kong		Hong Kong	100.00%	100.00%	HKD	25,001	FCM
Tradition Singapore (Pte) Ltd, Singapore		Singapore	100.00%	100.00%	SGD	300	FCM
Tribond (Pte) Ltd, Singapore		Singapore	100.00%	100.00%	SGD	n/s	FCM
Ong First Tradition (Pte) Ltd, Singapore		Singapore	35.00%	35.00%	SGD	3,000	FCM
Tradition Australia Pty Ltd, Sydney		Australia	100.00%	100.00%	AUD	n/s	FCM

	New companies	Country	Controlling interest	Equity interest	Capital in thousands		Method FCM/PCM/EM
TFS, LAUSANNE		Switzerland	99.91%	99.91 %	CHF	3,916	FCM
Tradition Financial Services Ltd, London and Tel Aviv branch		United Kingdom	100.00%	99.91 %	GBP	250	FCM
TFS-ICAP Holdings Ltd, London		United Kingdom	50.00%	54.95%	GBP	2,240	PCM
TFS-ICAP Ltd, London		United Kingdom	51.00%	27.48%	GBP	20	FCM
TFS-ICAP Currency Options Ltd, London		United Kingdom	100.00%	27.48%	GBP	550	FCM
TFS Currency Options Ltd, London		United Kingdom	100.00%	27.48%	GBP	5	FCM
Intercapital Currency Options Ltd, London		United Kingdom	100.00%	27.48%	GBP	5	FCM
TFS Derivatives Ltd, London		United Kingdom	100.00%	99.91%	GBP	1,200	FCM
Equitek Capital Ltd, London		United Kingdom	100.00%	99.91%	GBP	1,300	FCM
TFS Futures & Options S.A. (Pty) Ltd, Johannesburg		South Africa	80.00%	79.93%	ZAR	250	FCM
TFS Securities (Pty) Ltd, Johannesburg		South Africa	100.00%	99.91%	ZAR	1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	99.91%	EUR	153	FCM
Tradition Financial Services Inc., New York		United States	100.00%	99.91%	USD	50	FCM
TFS Derivatives Corp., New York		United States	100.00%	99.91%	USD	95	FCM
TFS Services (Texas) Inc., Houston		United States	100.00%	99.91%	USD	n/s	FCM
Tradition Financial Services (Texas) LP, Houston		United States	100.00%	99.91%	USD	n/s	FCM
TFS-ICAP Holdings LLC, New York		United States	50.00%	54.95%	USD	n/s	PCM
TFS-ICAP LLC, New York		United States	51.00%	27.48%	USD	n/s	FCM
TFS Energy LLC, Stamford		United States	53.00%	52.95%	USD	n/s	FCM
TFS Energy Futures LLC, Stamford		United States	100.00%	52.95%	USD	n/s	FCM
TFS Energy Inc., Houston		United States	100.00%	52.95%	USD	n/s	FCM
TFS Energy (Texas) LP, Houston		United States	100.00%	52.95%	USD	n/s	FCM
TFS Energy Solutions (Texas) LP, Houston	✔	United States	100.00%	52.95%	USD	n/s	FCM
TFS Energy Solutions LLC, Houston	✔	United States	100.00%	52.95%	USD	n/s	FCM
Energy Curves LLC, Houston		United States	25.00%	13.24%	USD	n/s	EM
TFS Blackwood LLC, New York		United States	93.75%	93.67%	USD	1,388	FCM
TFS Blackwood Ltd, London		United Kingdom	100.00%	93.67%	GBP	n/s	FCM
Equitek Capital Inc., Delaware		United States	100.00%	99.91%	USD	n/s	FCM
Equitek Capital LLC, Delaware		United States	50.00%	49.91%	USD	n/s	FCM
TFS Dubai Ltd, Dubai	✔	United Arab Emirates	100.00%	99.91%	USD	450	FCM
TFS Australia Pty Ltd, Sydney		Australia	100.00%	99.91%	AUD	5	FCM
Tradition Financial Services Japan Ltd, Tokyo		British Virgin Islands	100.00%	99.91%	USD	50	FCM
Tradition Financial Services (Hong Kong) Ltd, Hong Kong		China	100.00%	99.91%	HKD	200	FCM
TFS Energy (S) Pte Ltd, Singapore		Singapore	100.00%	99.91%	USD	60	FCM
TFS Currencies Pte Ltd, Singapore		Singapore	100.00%	99.91%	USD	700	FCM
The Recruitment Company Holdings Inc., Delaware		United States	79.00%	78.93%	USD	n/s	FCM
TRC Recruitment Ltd, London		United Kingdom	100.00%	78.93%	GBP	1	FCM
The Recruitment Company Pty Ltd, Sydney		Australia	89.90%	70.96%	AUD	n/s	FCM
The Recruitment Company Ltd, Tokyo		Japan	100.00%	78.93%	JPY	5,000	FCM
The Recruitment Company Ltd, Hong Kong		China	100.00%	78.93%	HKD	10	FCM
Equitek Capital Limited, Georgetown		Cayman Islands	100.00%	49.96%	USD	n/s	FCM
Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD	5,000	FCM
Rubens Investments Services Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD	50	FCM
RG Asset Management (Pte) Ltd, Singapore		Singapore	30.00%	30.00%	SGD	n/s	EM
2. NON-FINANCIAL COMPANIES							
Tradificom International, Lausanne		Switzerland	100.00%	100.00%	CHF	200	FCM
StreamingEdge.com Inc., New Jersey		United States	60.00%	60.00%	USD	n/s	FCM
StreamingEdge (Canada) Inc., Toronto		Canada	100.00%	60.00%	CAD	n/s	FCM
StreamingEdge UK Ltd, London		United Kingdom	100.00%	60.00%	GBP	n/s	FCM
GIE VIEL Gestion, Paris		France	78.05%	77.95%	EUR	-	FCM
GIE VCF Gestion, Paris		France	90.00%	89.89%	EUR	-	FCM

FCM: Full consolidation method – PCM: Proportional consolidation method – EM: Equity method

Changes in the basis of consolidation

The main changes in the basis of consolidation in 2006 were as follows:

Gaitame.com Co. Ltd: Tradition Service Holding S.A. received a 1.43% interest in Gaitame.com Co. Ltd., by way of compensation for an amount of CHF 218,000. This additional stake brought the Group's controlling interest in the company to 41.82% (40.71% at 31 December 2005) and its equity interest to 23.78%.
The operation generated income of CHF 4,051,000, recognised under "Other operating income" (Note 2), and gave rise to goodwill of JPY 342.6 million or CHF 3,508,000.
During the 2006 interim consolidated financial statements an additional stake of 0.65% was disclosed, the remaining 0.78% being subject to the former employee exercising his share options. These transactions were completed in December 2006 with the transfer of the entire shareholding to Tradition Service Holding S.A. In the interval, until the completion of the operation, negative goodwill of CHF 0.1 million was recognised under "Impairment losses".

FXDirectDealer LLC: Compagnie Financière Tradition disposed of 80% of its holding in FXDirectDealer LLC on 28 December 2006, reducing its stake to 15%. This operation, for a consideration of CHF 16,920,000, generated consolidated net profit of CHF 17,822,000, disclosed under financial income (Note 4).
Following the disposal, one of the four members of the Board of Directors of FXDirectDealer LLC represents Compagnie Financière Tradition, which consequently exercises a significant influence on the company's financial and operational policies. FXDirectDealer LLC was fully consolidated until the date of the sale, and has since been accounted for using the equity method.

Cofitra Investments Inc.: This company was in the process of winding up at 31 December 2006.

Company financial statements

to the General Meeting of

Compagnie Financière Tradition, Lausanne

Lausanne, March 28, 2007

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 51 to 55) of Compagnie Financière Tradition for the year ended 31 December 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a sufficient basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available retained earnings comply with Swiss law and the Company's Articles of Association.

We recommend that the financial statements submitted to you be approved.

ERNST & YOUNG S.A.

H. Isler
Swiss Certified Accountant
(in charge of the audit)

S. Durrance
Chartered accountant

CHF 000	Notes	2006	2005
Income from equity investments	III.1	3,118	6,359
Other operating income		15,716	12,971
Net financial income		3,640	465
OPERATING INCOME		**22,474**	**19,795**
Personnel costs		-5,490	-5,814
Other operating expenses		-7,007	-4,823
Amortisation and depreciation		-303	-190
OPERATING EXPENSES		**-12,800**	**-10,827**
OPERATING PROFIT		**9,674**	**8,968**
Exceptional income	III.2	6,423	5,292
Exceptional expenses	III.3	-3,373	-659
Income tax		-1,212	-984
PROFIT FOR THE YEAR		**11,512**	**12,617**

Balance sheet at 31 December 2006

ASSETS *CHF 000*	Notes	**2006**	2005
Cash and call deposits		**1,168**	1,961
Short-term receivables from Group companies		**12,935**	14,216
Other short-term receivables		**5,933**	4,867
Marketable securities		**1,644**	991
Prepayments and accrued income		**2,271**	172
TOTAL CURRENT ASSETS		**23,951**	**22,207**
Long-term receivables from Group companies		**24,114**	16,492
Receivables from direct and ultimate shareholders		**-**	560
Other long-term receivables		**4,964**	4,964
Other long-term investments		**-**	7,529
Equity investments	II.1	**71,745**	81,030
Treasury shares	II.5	**-**	13,954
Tangible fixed assets		**1,027**	615
Intangible fixed assets		**344**	317
TOTAL FIXED ASSETS		**102,194**	**125,461**
TOTAL ASSETS		**126,145**	**147,668**

LIABILITIES *CHF 000*	Notes	**2006**	2005
Short-term bank borrowings		**5,000**	5,000
Short-term payables to Group companies		**13,361**	13,450
Short-term payables to shareholders		**12,755**	870
Other short-term payables		**1,349**	1,243
Accruals and deferred income		**7,036**	5,700
Long-term payables to Group companies		**-**	13,463
TOTAL PAYABLES		**39,501**	**39,726**
Capital	II.4	**13,671**	13,671
Share premium		**20,370**	20,370
General reserve		**13,284**	13,284
Reserve for treasury shares		**-**	13,954
Other reserves		**-**	15,300
Retained earnings		**39,319**	31,363
TOTAL SHAREHOLDERS' EQUITY		**86,644**	**107,942**
TOTAL LIABILITIES		**126,145**	**147,668**

I. BASIS OF PRESENTATION

The statutory accounts have been prepared in compliance with valuation principles prescribed by Swiss law. The accounting principles applied in the preparation of the accounts remain unchanged from 31 December 2005.

II. NOTES TO THE BALANCE SHEET

II.1 Equity investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Capital CHF 000	Shareholding %		Acquisition price CHF 000	
		2006	2005	**2006**	2005
Tradition Service Holding S.A., Lausanne	CHF 21,350	**100.00**	100.00	**21,242**	21,242
TFS, Lausanne	CHF 3,916	**99.91**	99.53	**50,075**	49,943
Tradificom International, Lausanne	CHF 200	**100.00**	100.00	**200**	200
Cofitra Investments Inc., British Virgin Islands	USD 5,000	**-**	100.00	**-**	8,880
StreamingEdge.com Inc., New Jersey	USD 1,000	**60.00**	60.00	**1,698**	1,698
Other equity investments				**981**	920
GROSS TOTAL				**74,196**	**82,883**
Valuation allowance				**-2,451**	-1,853
NET TOTAL				**71,745**	**81,030**

Tradition Service Holding S.A. and TFS are sub-holding companies, which in turn hold significant interests in companies brokering financial and non-financial products for a broad clientele of mainly financial institutions and large corporations. Tradificom International is an IT and telecommunications company serving companies within the Group. StreamingEdge.com Inc. develops online trading tools.

Compagnie Financière Tradition disposed of its interest in Cofitra Investments Inc. during the year. A loss of CHF 2,261,000 arising on the operation was recognised under "Exceptional expenses".

The net asset value used for estimating appropriate provisions was determined on the basis of the statutory or the consolidated financial statements of these subsidiaries at 31 December 2006 and 2005, translated at the exchange rates prevailing on those dates. The provisions established in this regard amounted to CHF 2,451,000 at 31 December 2006 against CHF 1,853,000 in 2005, requiring a provision of CHF 598,000 in 2006, recognised under "Exceptional expenses".

II.2 Fire insurance value of tangible fixed assets

The insurance value of tangible fixed assets stood at CHF 941,000 at 31 December 2006 (2005: CHF 941,000).

II.3 Liabilities / receivables towards employee pension funds

There were no current liabilities or receivables to or from employee pension plans at 31 December 2006 (2005: liabilities of CHF 56,000).

II.4 Shareholders' equity

Capital

At 1 January 2004, the Company's capital was CHF 13,503,422, comprised of 5,401,349 bearer shares with a nominal value of CHF 2.50.

In September 2004, 48,400 new shares were created, at an issue price of CHF 9.00, increasing capital by CHF 121,000, with a share premium of CHF 314,600.

At 31 December 2004, share capital was comprised of 5,449,769 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,624,422.

In February 2005, 18,588 new Compagnie Financière Tradition shares were created, at an issue price of CHF 12.00, increasing capital by CHF 46,470, with a share premium of CHF 176,586.

At 31 December 2006, the Company's capital was CHF 13,670,892, comprised of 5,468,357 bearer shares with a nominal value of CHF 2.50, unchanged from the previous year-end.

Major shareholders

Financière Vermeer BV, Amsterdam held 67.43% of the voting rights in Compagnie Financière Tradition at 31 December 2006, unchanged from the previous year.

Financière Vermeer is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 54.61% interest at 31 December 2006 against 54.78% at 31 December 2005.

Authorised capital

The Company's capital may be increased by up to CHF 5,758,327 through the issuance of up to 2,303,331 new bearer shares with a nominal value of CHF 2.50. The Board of Directors shall set the issue price and the date from which the new shares are to carry dividend rights. This authority is valid until 18 May 2007.

The Board is empowered to suspend or limit current shareholders' pre-emptive rights to enable acquisitions or equity stakes. Subscription rights for which a pre-emptive right is granted but not exercised are available to the Board to be used in the Company's interest.

Conditional capital

The Company's capital may be increased by up to CHF 1,357,530 through the issuance of up to 543,012 new bearer shares with a nominal value of CHF 2.50. The increase is carried out through the exercise of pre-emptive rights by Company employees. The pre-emptive rights of existing shareholders are cancelled. The conditions under which employees may participate shall be defined by the Board of Directors.

There were 537,094 employee share options outstanding at 31 December 2006, representing a potential capital increase of CHF 1,342,735. These options give the right to subscribe one share with a nominal value of CHF 2.50.

	Number of options *of CHF 2.50 nominal value*	Potential capital increase CHF	Start of exercise date	Expiry date	Exercise price CHF
Plan of 10.03.00	266,000	665,000	88,800 securities on 10.03.01 88,800 securities on 10.03.02 88,400 securities on 10.03.03	09.03.12	60.00
Plan of 17.05.02	40,000	100,000	40,000 securities on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 securities on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 securities on 08.09.05	07.09.13	92.25
Plan of 24.04.06	75,000	187,000	75,000 securities on 24.04.09	23.04.16	129.90
TOTAL	**537,094**	**1,342,735**			

Moreover, the Company's capital may be increased by up to CHF 5,000,000 through the issuance of up to 2,000,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out through the exercise of conversion rights, granted in relation to the Company's issuance of bonds or similar convertible debt securities on the national and international capital markets. The pre-emptive rights of existing shareholders are cancelled. The conditions governing the issue of such borrowings shall be defined by the Board of Directors, with a conversion option based on an issue price of no less than the average quoted market prices for the 20 business days preceding the operation; the pre-emptive right of shareholders to subscribe to such borrowings shall be abrogated. Conversion rights must be exercised within five years of the issue date, after which they expire.

II.5 Treasury shares

The Group did not directly hold any treasury shares at year-end; it held 123,681 shares with a gross value of CHF 13,954,000 at 31 December 2005.

	Book value CHF 000	Acquisition or redemption price CHF 000	No. of shares *of CHF 2.50 nominal value*
At 1 January 2006	**13,954**	**13,954**	**123,681**
Acquisitions	318	318	2,500
Disposals	-14,272	-16,403	-126,181
Realised gains and losses	-	2,131	-
At 31 December 2006	**-**	**-**	**-**

The average transaction prices for acquisitions and disposals of treasury shares during the financial year were CHF 127.30 and CHF 130.00 respectively.

III. NOTES TO THE INCOME STATEMENT

III.1 Income from equity investments

Dividends received from subsidiaries in 2006 amounted to CHF 3,118,000 (2005: CHF 6,359,000).

III.2 Exceptional income

Compagnie Financière Tradition disposed of its entire shareholding of 5,225,000 shares in IFX Group plc at a share price of GBP 1.80, for a total of GBP 9,405,000. A capital gain of CHF 6,423,000 was recognised on this operation.

III.3 Exceptional expenses

Exceptional expenses represent provisions of CHF 514,000 for receivables from Group companies (CHF 659,000 at 31 December 2005) and provisions for equity investments of CHF 598,000. The item also included a loss of CHF 2,261,000, incurred on the Company's disposal of its interest in Cofitra Investments Inc.

IV. ADDITIONAL DISCLOSURES

IV.1 Guarantees and conditional commitments given

The Company had guaranteed credit limits granted to its subsidiary, Tradition Service Holding SA, under a deed of suretyship. These limits stood at USD 18,000,000 and CHF 69,300,000 at 31 December 2006. It also guaranteed an amount of CHF 2,325,000 in respect of annual interest payments and scheduled repayments on a mortgage granted to its majority shareholder, Financière Vermeer BV. Other guarantees, amounting to CHF 18,000, were given in favour of third parties (CHF 16,000 at 31 December 2005).

Comfort letters were issued in favour of the Company's indirect subsidiary, Tradition London Clearing Ltd, London, required in connection with its operations.

Lease commitments

CHF 000	**2006**	2005
Less than 1 year	**681**	681
Between 1 and 5 years	**1,021**	1,702
More than 5 years	**-**	-
TOTAL	**1,702**	**2,383**

These commitments, not carried on the balance sheet, mainly concern office rental for Group companies. The amounts shown relate to the non-cancellable contract period only.

IV.2 Guarantees and conditional commitments received

When VIEL et Compagnie Finance purchased the shares of Compagnie Financière Tradition held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition the difference between aggregate receivables due from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition in respect of such receivables. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.

This undertaking relates to receivables of EUR 14,032,000 declared by Compagnie Financière Tradition at the time Comipar and Banque Pallas Stern went into receivership. VIEL et Compagnie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

Between 1999 and 2006, Compagnie Financière Tradition received partial repayments from Banque Pallas Stern and Comipar, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 76.5% of declared receivables. This brought the Company's residual receivables to CHF 4,964,000 at 31 December (2005 : CHF 4,964,000).

Proposed appropriation of available retained earnings

CHF 000	**2006**	2005
AVAILABLE RETAINED EARNINGS		
Retained earnings brought forward	**13,853**	17,282
Movements in the reserve for treasury shares	**13,954**	1,464
Profit for the year	**11,512**	12,617
AVAILABLE RETAINED EARNINGS	**39,319**	**31,363**
PROPOSED TRANSFER FROM OTHER RESERVES TO DISTRIBUTABLE PROFITS		
Transfer from other reserves to available retained earnings	**-**	15,300
DISTRIBUTION OF 2005 RETAINED EARNINGS AND RECOMMENDATION FOR THE APPROPRIATION OF 2006 AVAILABLE RETAINED EARNINGS		
Available retained earnings after transfer from other reserves	**39,319**	46,663
Dividend	**-38,278**	-32,810
RETAINED EARNINGS	**1,041**	**13,853**

A dividend of CHF 6.00 per CHF 2.50 share was paid in relation to the 2005 financial year, for a total payment of CHF 32,810,000.

For the 2006 financial year, the Board of Directors will be recommending a dividend of CHF 7.00 per CHF 2.50 share at the Annual General Meeting, to be held on 25 April 2007, for a total distribution of CHF 38,278,000.

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