07

ANNUAL REPORT

Compagnie Financière Tradition

With a presence in 26 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.

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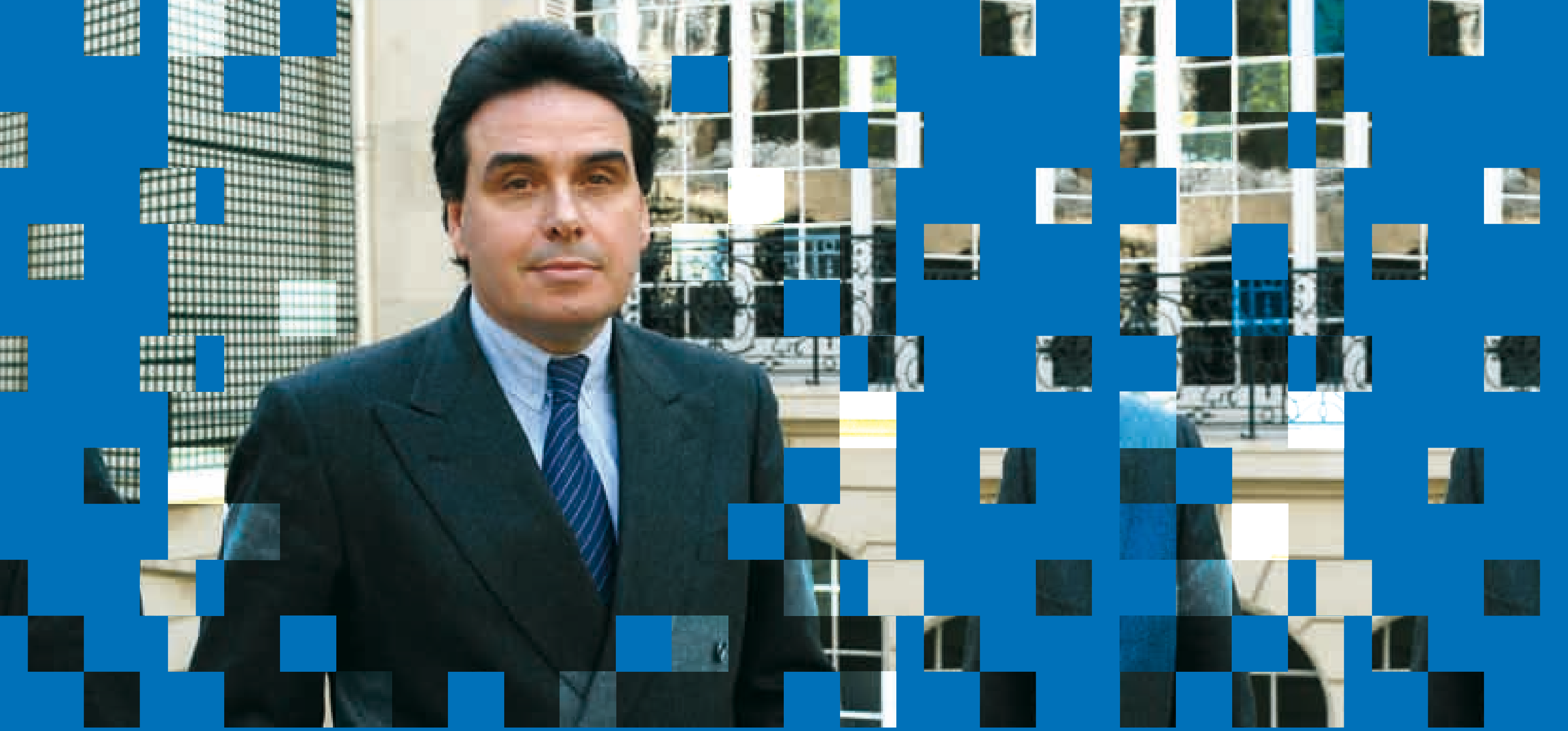


Chairman's message

The financial markets experienced high volatility in 2007 and this trend became more pronounced in the second half of the year. Against this backdrop, Compagnie Financière Tradition posted robust growth in turnover, which was up 23.8% to CHF 1.4 billion.

We pressed ahead with our organic growth policy during the year, recruiting new teams for our core businesses and opening four new offices in financial centres in emerging markets - Malaysia, India, South Korea and Colombia.

Operating profit climbed to an all-time high of CHF 150.1 million, representing a year-on-year rise of 37.6%.

Profit before tax on continuing operations was CHF 166.4 million, giving a pre-tax return of 11.7%, and net profit rose to CHF 106.0 million. Net profit attributable to shareholders of the parent was CHF 84.6 million. Consolidated shareholders' equity totalled CHF 327.8 million at 31 December 2007, of which CHF 291.8 million was attributable to shareholders of the parent.

Compagnie Financière Tradition's shares performed well in 2007, registering a gain of 11.3% on the year.

We will pursue our development in 2008 and strengthen our leadership position in the interdealer broker (IDB) sector. We will also maintain our focus on organic and external growth with the aim of improving profitability in constant terms. The stakes are high for market players, and extracting value is both a challenge and a major asset in the ongoing consolidation of this sector.

I would like to extend my warmest thanks to all our shareholders for their continued trust and loyalty, as well as to our teams for their dedication and their dynamic contribution to the success of our Company.

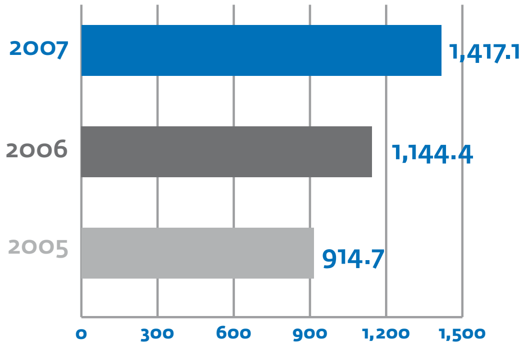
In view of the results and the outlook for our Company, the Board of Directors will be seeking shareholder approval for a dividend payment of CHF 8.0 per share at the Annual General Meeting on 15 May 2008.

Patrick Combes

Turnover of CHF 1,417.1 million, up 23.8%

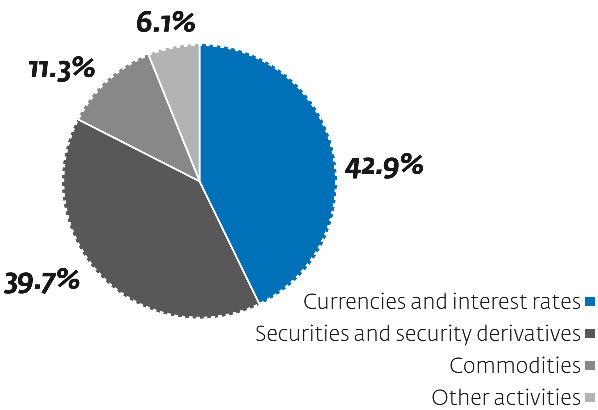
Consolidated turnover

CHF m



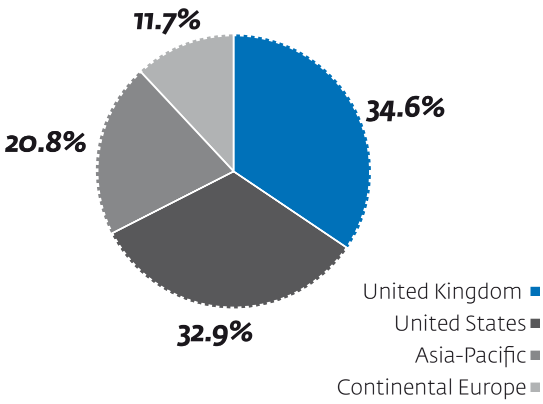
Turnover in 2007

by product segment



Turnover in 2007

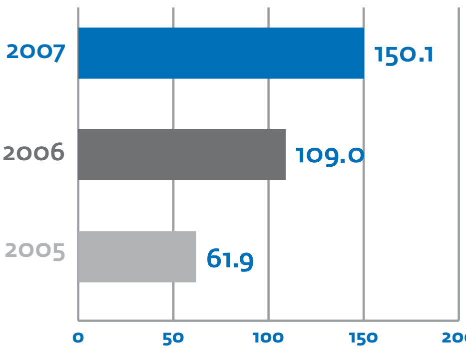
by geographic region



Operating profit was CHF 150.1 million and net profit attributable to company shareholders rose to CHF 84.6 million

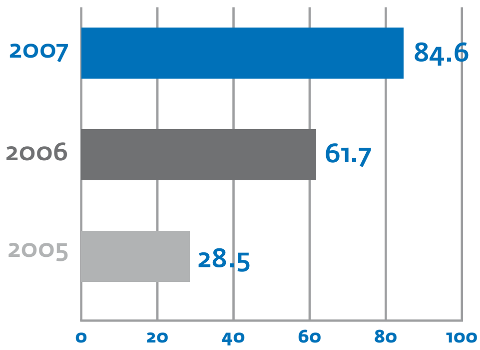
Consolidated operating profit

CHF m



Net profit attributable to company shareholders

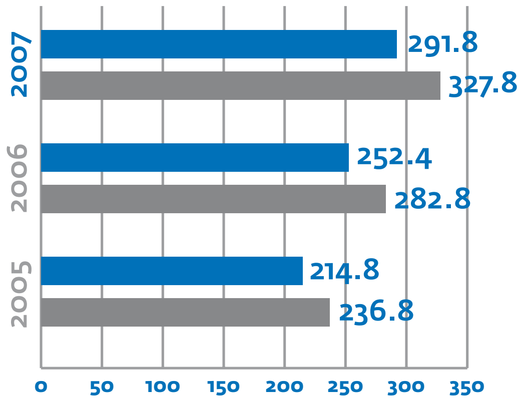
CHF m



Consolidated shareholders' equity of CHF 327.8 million confirms Compagnie Financière Tradition's sound financial position

Consolidated equity

CHF m

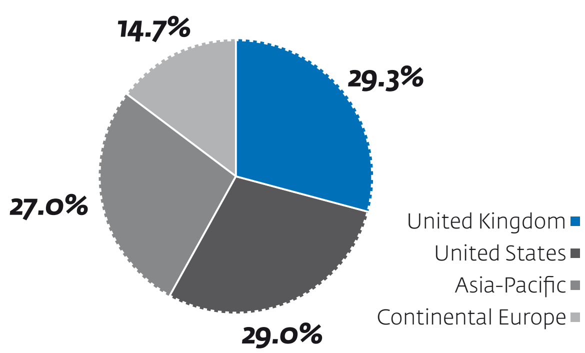


Return on equity in 2007: 33.5%

With a presence in 26 countries, Compagnie Financière Tradition employed close to 2,250 staff worldwide at end-2007, including almost 1,450 brokers

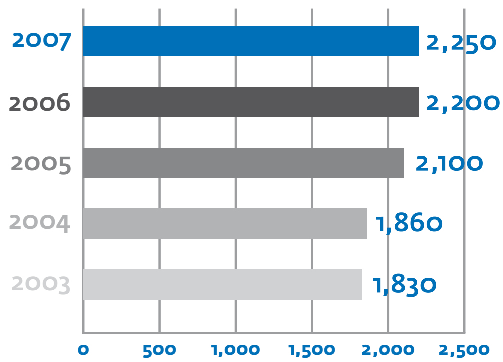
Headcount at 31 December 2007

by geographic region



Headcount

at 31 December



Information for shareholders

Compagnie Financière Tradition's share price has performed exceptionally well, increasing fortyfold over the past ten years.
The shares put on 11.3% in 2007 to close the year at CHF 203.1, bringing the Group's market capitalisation to over one billion francs at 31 December 2007.

Share performance

After a spectacular rise of 36.2% in 2006, the share price stabilised in 2007, gaining 11.3% and bringing the market capitalisation to CHF 1,136,233,000.

The shares started the year at CHF 182.5 and remained relatively stable during the first half, dipping to CHF 180.0 (their lowest point) on 26 March before rising to CHF 200.0 at the end of April. Early in the second half they eased back to their price at the start of the year, but then rose strongly between October and the beginning of December, hitting their peak of CHF 226.0 on 3 October.

The shares strongly outperformed their benchmark (SMI: -6.3%) in 2007 ending the year up 11.3% at CHF 203.1.

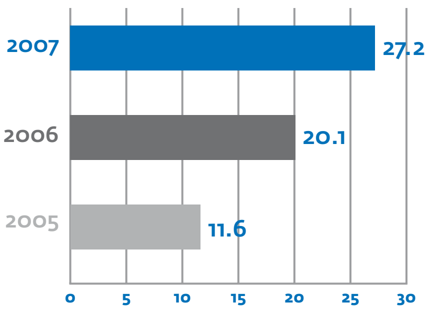
Stock market data

	2007	2006
▪ Number of shares at 31 December	**5,594,451**	5,468,357
▪ Market capitalisation at 31 December	**CHF 1,136,233,000**	CHF 997,975,000
▪ Highest share price	**CHF 226.0**	CHF 183.9
▪ Lowest share price	**CHF 180.0**	CHF 128.0
▪ Year-end closing price	**CHF 203.1**	CHF 182.5
▪ Average daily volume of shares traded	**1,538**	2,585
▪ PER* at 31 December	**13.4**	16.2
▪ PTB** at 31 December	**3.9**	4.0
▪ Operating profit per share***	**CHF 27.2**	CHF 20.1
▪ Net profit per share attributable to company shareholders***	**CHF 15.3**	CHF 11.4
▪ Dividend per share	**CHF 8.0**	CHF 7.0

* 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.

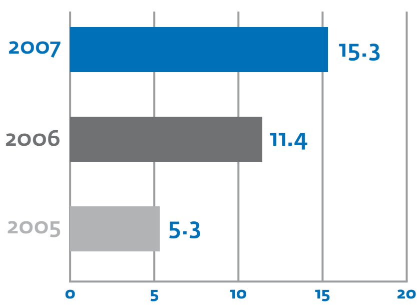
Consolidated operating profit per share

CHF



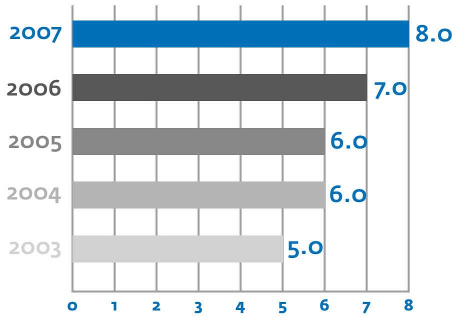
Net profit per share attributable to company shareholders

CHF

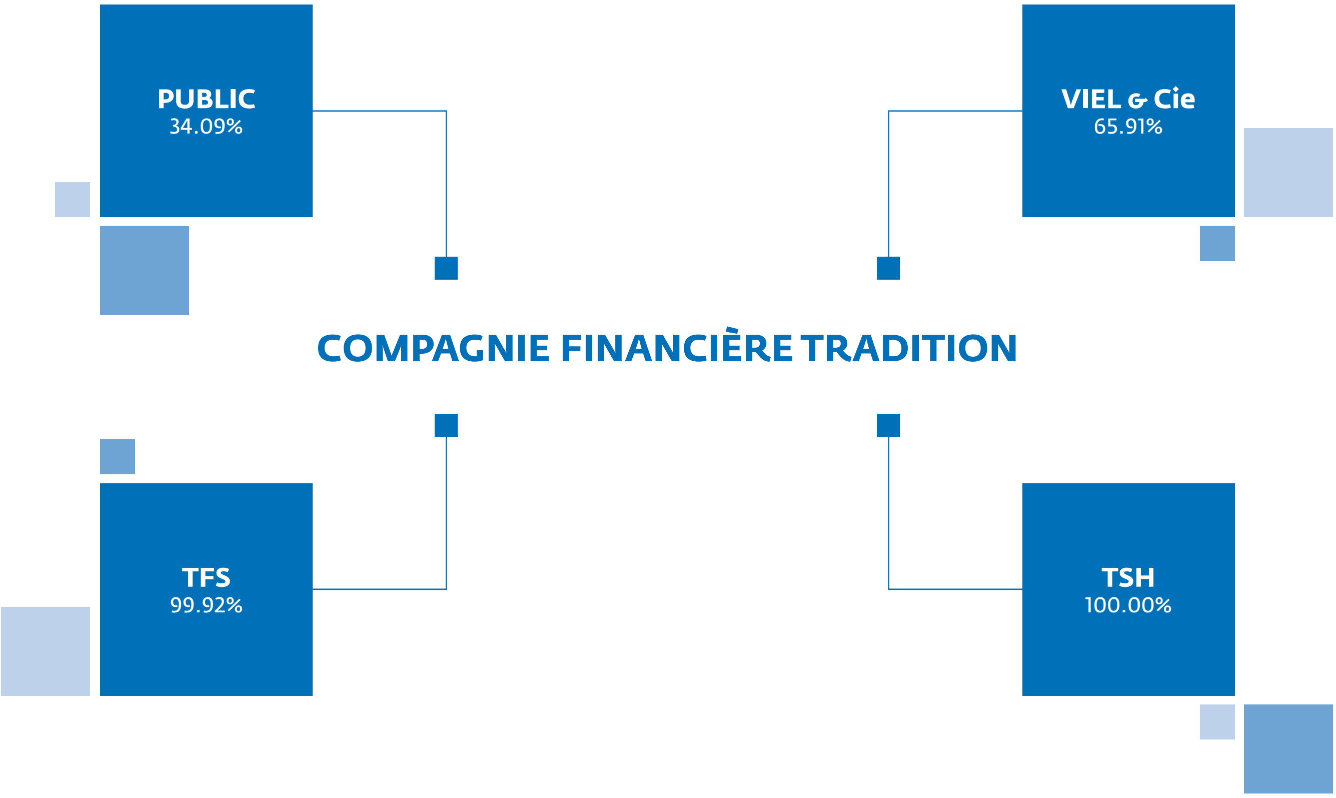


Dividend per share

CHF



Simplified Group structure at 31 December 2007



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

Provisional Financial Calendar

31 January	Announcement of 2007 FY consolidated turnover
13 March	Announcement of 2007 FY consolidated results
30 April	Announcement of 1st quarter 2008 consolidated turnover
15 May	Annual General Meeting
31 July	Announcement of 1st half consolidated turnover
29 August	Announcement of 1st half consolidated results
6 November	Announcement of 3rd quarter consolidated turnover

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

Contacts

General enquiries:

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Website: www.traditiongroup.com

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

Contact us: actionnaire@tradition.ch

Compagnie Financière Tradition's business

Compagnie Financière Tradition (CFT) is one of the world's top three interdealer broking firms, with a presence in 26 countries. The company has achieved, primarily organically, a 17% compound growth rate (in constant currency terms) 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 26 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 macroeconomic 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 structured products.

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. In 2007, one of our operations, TFS Energy, brokered the first Clean Development Mechanism (CDM) project approved in Singapore. We are also at the forefront in the brokerage of green products around the globe and consistently taking top places in industry surveys.

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. 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

Corporate governance

Compagnie Financière Tradition 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 Directive on Information Relating to Corporate Governance (DCG) published by the SWX Swiss Exchange in July 2002, and the revised Directive which entered into effect on 1 January 2007.

Capital structure

The Company's capital consists entirely of a single class of bearer shares. All shares carry the right to a dividend. Capital structure, authorised capital and conditional capital, as well as changes in share capital over the past three years and information concerning options issued by Compagnie Financière Tradition on its shares, are disclosed on pages 64 and 65. Compagnie Financière Tradition had no dividend-right certificates or participation certificates, and the Company had no convertible loans outstanding at 31 December 2007.

Group structure and major shareholdings

The Group's organisational structure is presented in summary form on page 5 and the basis of consolidation is set out on pages 57 and 58. Major shareholders are shown on page 65. To the best of our knowledge, only one other shareholder, Merrill Lynch & Co., Inc., held over 3.00% of the voting rights at 31 December 2007. There were no shareholders' agreements and there were no cross-shareholdings exceeding 5.00% of the 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 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". Furthermore, Article 20 provides that "a resolution of the General Meeting shall require the affirmative vote of no less than two-thirds of the votes attached to the shares represented and an absolute majority of the nominal values of the shares represented at a General Meeting where no less than 51% of the nominal value of all shares is represented, for the purpose of: (a) an alteration to the corporate object; (b) the extension or restriction of the circle of corporate operations; (c) introduction of shares with priviledged voting rights; (d) a restriction on the transferability of registered shares; (e) an authorised or conditional increase in share capital; (f) an increase in share capital by means of equity, against investments in kind or with a view to a takeover of assets and the granting of special advantages; (g) a restriction or abrogation of a pre-emptive right; (h) the transfer of the registered office of the Company; (i) a merger with another company; (j) the dissolution of the Company without winding up".

Pursuant to Sec. 699(3) of the Swiss Code of Obligations (CO), shareholders whose shares together represent a nominal value of one million Swiss francs 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 eleven directors.
The Chairman, Patrick Combes, is an executive director. He heads the Executive Board. There are two other executive directors on the Board: David Pinchin, who is also a member of the Executive Board and President of TFS, and Pierre-Yves Bournet, who is Secretary-General. The other directors are non-executive and independent, and have not previously belonged

to any governing bodies of Compagnie Financière Tradition or of any of its subsidiaries. No directors had any business relations with Compagnie Financière Tradition or any of its subsidiaries at 31 December 2007, with two exceptions. Robert Pennone is Vice-President of Banque Bénédict Hentsch & Cie S.A., with which Compagnie Financière Tradition concluded a liquidity contract on 18 May 2007. Under this contract the bank was appointed market maker for Compagnie Financière Tradition shares. Moreover, the Group uses the services of François Carrard's law firm as and when necessary. A detailed career history and the terms of offices of each of the directors are shown 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 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 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, withdraw 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:

- exercise the highest level of management of the Company and 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 Company accounts and Group accounts;
- prepare the General Meeting and carry out its resolutions;
- determine the method of payment of the dividend;
- create and close down 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 supervises the Executive Board, and at each of its meetings it is briefed by the Chairman 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 as required by Company business.
The Board held five meetings in 2007, with an average attendance of ten directors, and had one conference-call meeting. These meetings lasted an average of three hours.

The Audit Committee consists of four members: Robert Pennone (Chairman), Christian Baillet, Jean-Marie Descarpentries and Pierre Languetin. All the members are independent and non-executive. They all have the required experience and knowledge in matters of accounting standards, finance, and auditing to carry out their remit. 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, the auditing process, and Company procedures aimed at ensuring compliance with the law, regulations and code of best practice. The Audit Committee also reviews the performance, efficiency and fees of the external auditors, and ensures that they maintain their independence. Lastly, it examines 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. A senior financial officer and the Head of Internal Audit and Risk Management attend Committee meetings as necessary. The auditors are invited to attend all meetings at which the Committee reviews the half-year and annual accounts. They submit a report on the accounts at each of these meetings.

Minutes of the Audit Committee meetings are forwarded to the Board of Directors.
The Committee held three meetings in 2007, which lasted an average of three and a half hours.

The Remuneration Committee is made up of three independent, non-executive members: Christian Baillet (Chairman), François Carrard and Christian Goecking. The Committee makes recommendations to the Board of Directors regarding remuneration schemes and policies and, more specifically, regarding the remuneration of members of the Executive Board, share option schemes and other incentive schemes. It held two meetings in 2007, which lasted an average of two hours.

Board Committees have an advisory role; they have no decision-making powers. Their responsibility is to make recommendations to the Board of Directors, which then takes decisions.

The Board of Directors and its committees are fully supported in their tasks by the Executive Board, which attends meetings of the Board of Directors when invited. At these meetings the Executive Board briefs the directors on its management, business operations, important events affecting the Company, and subsidiaries in which the Company holds a direct or indirect interest. Depending on the agenda set by the Chairmen of each of the Committees, one or more Executive Board members are invited to attend Committee meetings, to provide information required by the Committee and to answer questions.

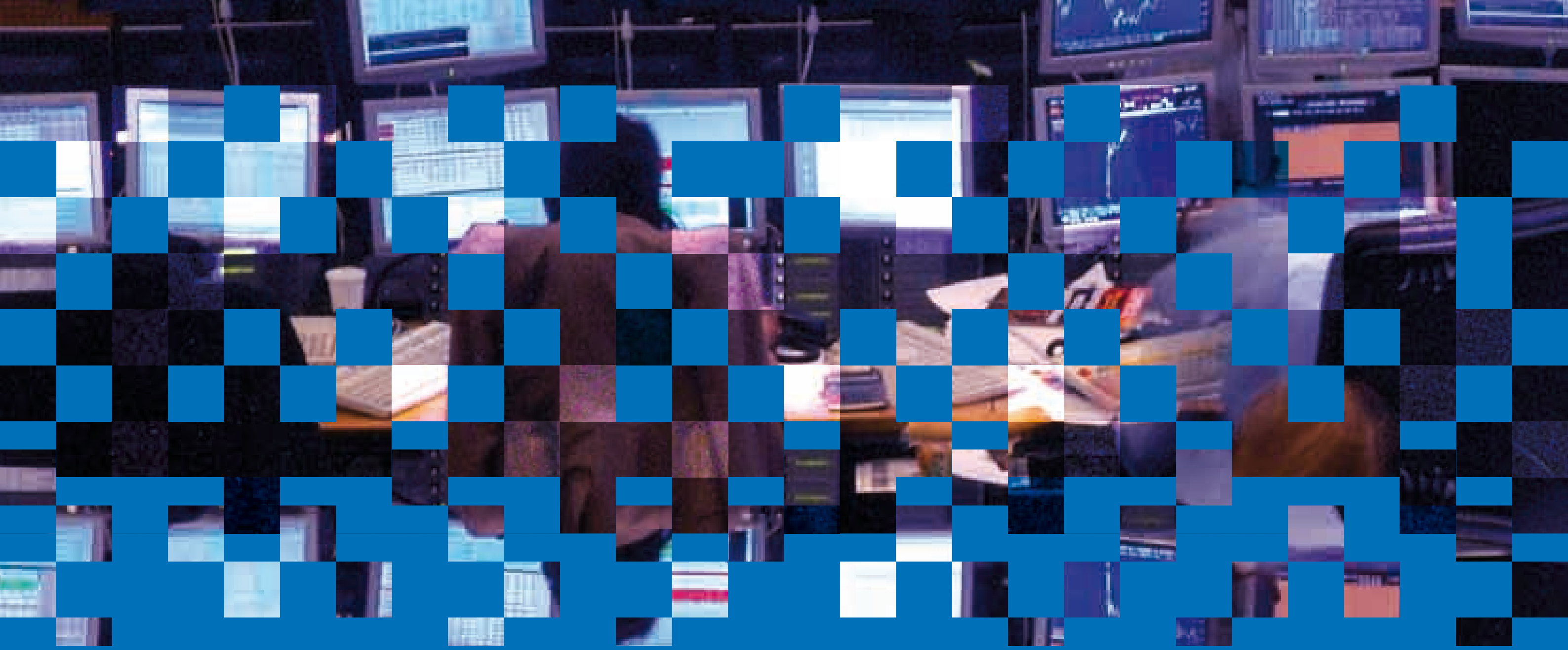
Outside these meetings, the Chairman of the Board of Directors is kept regularly informed on the day-to-day management of the Company. In particular, performance is regularly monitored by means of a Management Information System (MIS), and compared with objectives.

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 Chief Legal Officer is Secretary to the Board of Directors and its committees.

Executive Board

The Executive Board is made up of six people, including the Executive Chairman of the Board of Directors. They meet on a regular basis 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.



Corporate governance

The members of the Executive Board report individually to the Chairman of the Board of Directors on the everyday management of the Company, and provide him with timely information on all material events and changes within the Group.

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 Executive Board members, including their education, career history, and positions within Compagnie Financière Tradition are shown on page 13. With the exception of Michael Leibowitz, who was appointed to the Federal Foreign Exchange Committee (FXC) in January 2007, none of the members of the Executive Board holds any other positions in governing or supervisory bodies of any large public or private, Swiss or foreign corporations, foundations or institutions. None of the members hold any directorships or perform any consultancy functions for any significant Swiss or foreign interest groups, and none have 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 2007.

Shareholdings of members of the Board of Directors and Executive Board

Shareholdings in the Company, conversion rights and share options held at 31 December 2007 by members of the Board of Directors, the Executive Board, and others in a close relationship with them, are disclosed on page 67, pursuant to Section 663c(3) of the Swiss Code of Obligations.

Remuneration of members of the Board of Directors and Executive Board

Compensation paid, and guarantees, loans, advances or credit granted by Compagnie Financière Tradition or any of its subsidiaries to members of the Board of Directors, the Executive Board, and others in a close relationship with them, are disclosed on pages 66 and 67, pursuant to Section 663b^{bis} of the Swiss Code of Obligations.
No members of the Board of Directors or the Executive Board received any share allocations in 2007, or any additional fees from Compagnie Financière Tradition amounting to or exceeding half of their ordinary remuneration.
Remuneration of members of the Board of Directors is determined by the Board on the recommendation of the Remuneration Committee. It is presently defined in the form of directors' fees. The annual remuneration for each director comprises a fixed fee of CHF 20,000 and a variable fee of up to CHF 10,000 related to attendance at Board meetings during the year. In addition, six non-executive directors receive additional remuneration of CHF 20,000 each for their duties on the Audit Committee and CHF 10,000 each for duties on the Remuneration Committee.

Remuneration of members of the Executive Board is determined by the Chairman of the Board of Directors, in consultation with the Remuneration Committee, on the basis of a multi-year employment contract. Operational members receive a fixed salary and a performance-related bonus 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. All existing schemes are subject to the executive still being in the Group's employment on the exercise date. The Company did not use the services of outside consultants for determining remuneration.

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 two members of the Executive Board. Both these contracts contain a clause providing for these executives to retain office, under identical employment conditions, in the event that 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 price-sensitive facts in accordance with the requirements of Article 72 of the SWX Listing Rules. A Company Fact File and contact addresses can be found on page 5 of this Report and on our website at www.traditiongroup.com.

Risks

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

The Group's exposure to the principal risks inherent in broking operations, its risk management objectives, policy and procedures, and the methods it uses to measure risk are disclosed on pages 52 and 53.

Internal Audit, Risk Management and Compliance

Compagnie Financière Tradition is committed to stringent risk management throughout its operations.
In 2007, the Group further strengthened its internal audit functions with a structure comprising three departments - Internal Audit, Risk Management and Compliance - working under the supervision of the Head of Internal Audit, Risk Management and Compliance.

Although these departments are independent of one another, their managers work closely together to early identify risks specific to each of them. The departments also have authority over the audit, risk management and compliance functions at the Group's local entities.

- The Risk Management department is responsible for assessing, measuring and reporting risks related to the Group's activities. In particular, the department will make recommendations to the Credit Committee regarding counterparty credit limits that reflect the client's risk profile.
- Internal Audit conducts its audits on the basis of three criteria: compliance, reliability and performance. The department helps the Group to achieve its objectives by systematically and methodically assessing the risk management, internal control and corporate governance processes, and making recommendations to improve their effectiveness.
- The Compliance department is responsible for proactively identifying and assessing compliance risks associated with the Group's activities, and recommending coherent policies and procedures to the Group's local entities.

These advisory and control functions report directly to the Chairman of the Board of Directors and provide the Audit Committee with opinions and recommendations to assist it in its supervisory activities. Consequently, this structure reinforces and underpins internal auditing and corporate governance at Compagnie Financière Tradition.

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 25 April 2007, for a term of one year. The firm is represented by Hans Isler, auditor in charge, who took up his duties during the audit of the 2003 accounts, and Julien Meylan. Ernst & Young earned fees of CHF 5,301,000 for fiscal 2007, CHF 1,153,000 of which were for services other than auditing the accounts of Compagnie Financière Tradition Group. This compares with fees of CHF 4,931,000 and CHF 2,136,000 respectively in 2006. The auditors' remuneration criteria are examined by the Audit Committee, together with the Finance Director. 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 justification and 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 two meetings of the Audit Committee and two Board meetings in 2007.
The Board of Directors recommends that the General Meeting of Shareholders elect its auditors from among the "big four" international auditing firms.

Board of Directors

■ **Patrick Combes** - *French national, aged 55* - ***Chairman of the Board of Directors/Executive Director***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007. Operational management appointments within the Group at 31 December 2007: Chairman of the Boards of Directors of VIEL & Cie (France), VIEL et Compagnie Finance (France), and Financière Vermeer B.V. (Netherlands), Director of Bourse Direct (France) and of Swiss Life Bank (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 in 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 57* - ***Director/Chairman of the Remuneration Committee and member of the Audit Committee***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: President of Quilvest France and Anglo-Française (France). Director of VIEL & Cie (France), VIEL et Compagnie Finance (France), CA Holding (France), Orphan (France), Chief Executive Officer of Quilvest S.A. (Luxembourg), Chairman of the Board of Directors of Quilvest Switzerland (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 global investments. He is also President of the Executive Board of Banque Privée Quilvest, Paris, and President of Quilvest Switzerland, Zurich.

■ **Pierre-Yves Bournet** - *French national, aged 43* - ***Executive Director***

Appointment at Compagnie Financière Tradition: First elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007. Operational management appointments within the Group at 31 December 2007: Secretary-General of Compagnie Financière Tradition, Lausanne.

Education: Institut Supérieur de Commerce, Paris.

Career history: Pierre-Yves Bournet joined the Bouygues Group in Paris in 1987 as Finance Director of SCREG Route et travaux publics. In 1994, he joined the Finance department of Losinger A.G., Bern, where he held the position of Finance Director until the end of 1999. He was appointed assistant to the Group CFO at Compagnie Financière Tradition in 2000, and in 2004 was made Secretary-General.

■ **Hervé de Carmoy** - *French national, aged 70* - ***Director***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: Executive Chairman of Almatis Holding B.V. (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 69* - ***Director/Member of the Remuneration Committee***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: 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 practicing attorney since 1967. He is a partner in the law firm of Carrard, Paschoud, Heim & Associés 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 71* - ***Director/Member of the Audit Committee***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: Chairman of the Supervisory Board of GINGER (France), President of the FNEGE (France) and FONDACT (France) and the Observatoire de l'Immatériel (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 (France).

Education: Graduate of the Ecole Polytechnique, Paris.

Career history: Jean-Marie Descarpentries has been a senior executive of 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 64* - ***Director/Member of the Remuneration Committee***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: Deputy Director of the Berney & Associés S.A. group (Switzerland) (member of Horwath International), Vice-Chairman and Chairman of the Audit Committee of CIM Banque (Suisse) S.A. (Switzerland).

Education: Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.

Career history: Christian Goecking has spent 40 years in banking and finance, particularly in financial broking. 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 84* - ***Director/member of the Audit Committee***

Appointment at Compagnie Financière Tradition: First elected on 4 May 1995. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: Chairman of the Board of Directors of Rosbank (Switzerland) S.A.

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 63* - ***Director***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: President of Pennone & Partners S.A. (Switzerland), Vice-President of Banque Bénédict Hentsch & Cie S.A. (Switzerland), President of RSI Securities (Switzerland), Vice-Chairman 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.

David Pinchin - *U.S. national, aged 60* - ***Executive Director***

Appointment at Compagnie Financière Tradition: First elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007. Operational management appointments within the Group at 31 December 2007: President of TFS and Managing Director of Compagnie Financière Tradition.

Education: Honours degree in Business Studies from the City of London College, U.K.

Career history: 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.

Urs Schneider - *Swiss national, aged 62* - ***Director***

Appointment at Compagnie Financière Tradition: First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.

Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2007: President of Finance Watch (Switzerland) and member of the Foundation Board of the International Social Service (ISS) - 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.

Executive Board

Emil Assentato - *U.S. national, aged 58* - ***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 46* - ***Managing Director, TSH Asia-Pacific***

Adrian Bell is a native of Sydney Australia. He studied Japanese and Mandarin after leaving high school, and 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 or so 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.

Michael Leibowitz - *U.S. national, aged 42* - ***Managing Director, TFS Europe and Group Equity Products***

Michael Leibowitz began his career at Tradition Financial Services in 1991, and in 1993 became head of TFS Global Foreign Exchange operations in London. From 2000 to 2005, he was CEO of TFS-ICAP Volbroker, the leading liquidity provider in Global Foreign Exchange Options, and in 2006 he was appointed CEO of TFS Europe and Director of Global Group Equity Products. In November 2007, he was appointed CEO of Tradition Group's combined brokerage operations in London (TFS Europe and Tradition UK). He holds a Juris Doctor degree from Hofstra University, New York, and a degree in economics from New York State University. Michael Leibowitz is a member of the Federal Foreign Exchange Committee (FXC).

David Pinchin - *U.S. national, aged 60* - ***President of TFS and Managing Director of Compagnie Financière Tradition***

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, UK.

Dominique Velter - *French national, aged 42* - ***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.

Bruce Collins *joined Compagnie Financière Tradition in January 2008 as Deputy Chairman. Before that he was Global CEO of Tullet Liberty and then CEO responsible for the Asia-Pacific region at ICAP.*

2007 Economic review

THE DIFFICULT RETURN OF GOLCONDA...

Golconda, the mythical Indian village famous for its diamonds, always captured the imagination of travellers and merchants from Asia, Africa and Europe - and how bitter was the disappointment of those who were unable to see it. The story of 2007 is a little like that: easy, cheap money, the blind, unbridled confidence of some investors, and seemingly endless growth finally came to a full stop at the foot of the walls of Golconda, and the return to reality changed the rules of the game.

The dollar lost a lot of ground against most of the other leading currencies as central banks and major investors lost their appetite for the greenback. The United States has been living with overconsumption and undersaving for a long time, but these two imbalances could not continue indefinitely. The correction took place through the erosion in the value of the dollar, which is still the pivot of world trade and central bank reserves, but it has lost its glory. International investors sent a very clear message to the US political and financial world.

Commodity prices skyrocketed, driven by real demand from the Asia-Pacific Rim countries, overconsumption in the developed world, freak weather conditions, international speculation, and dollar weakness. Prices of energy, certain base and precious metals, and softs surged to new record highs or flirted with previous records. The scramble for the highest possible returns led many investors to take ill-calculated risks, even though the central-bank sages put out several warnings to investors who were careering on regardless.

Rude awakening

But nothing lasts forever, and towards the middle of the year, the bubble burst. For many capital holders it was a rude awakening indeed to find that their investments carried a substantial risk. Banks, which had entered into securitisation transactions for both themselves and their customers in the risky US mortgage market, realised to their cost the mistakes they had made. The US economy, which had long lived above its means, finally discovered that some imbalances cannot go on indefinitely and that a return to square one can happen at any time.

These are some of the unknowns in a very complex equation that 2007 has bequeathed to the future. The "Atlantic" banking system will probably undergo a fundamental restructuring with massive injections of capital from Asia and countries with a war chest built up from commodities. The US economy is entering a soft phase, which is something it has not experienced for some time. The perception and cost of risk will be completely revised and central banks will once again be expected to act as firefighters and to repair the damage when the sorcerers' apprentices get themselves embroiled in an inextricable mess.

Some central banks have cut interest rates to give the economy a boost and help finance the restructuring and strengthening of the banking system, while others have taken a strictly orthodox approach with an eye to keeping inflation in check.

Tempus fugit

But time flies, and the economy marches on. Penelope forever weaves her web - the Asia-Pacific Rim countries are enjoying a wonderful period of growth and development, even though it is chaotic and places enormous pressures on both Man and Nature.

Other emerging countries are about to join the ball - Old Europe is taking on a new lease of life through the integration of new countries and the power of its culture and history. Raw materials are being reassessed in terms of their essential role in the ongoing redealing of the global deck of cards. Once again, the markets are being drawn into this dislocation of roles with their rationality and their exuberance. Time is moving too fast for the political world, and the markets are setting the tempo for this new type of saraband in which an ever-increasing number of participants are taking to the floor.

2007: a pivotal year (bigger role for central banks, hedge funds and supranational funds)

2007 was a turning point between the old way of looking at the world and the new way, in which the coordinates have changed radically and the old reference points have lost their value and their significance.

It was also a year that saw the recognition of the dynamic and possibly Faustian role of hedge funds. Certain supranational funds asserted their strength on the international markets with assets managed according to totally different criteria from those taught in finance courses at the best universities. Banks showed their weakness in a world which is becoming increasingly finance-oriented, while the leading central banks took on an even heavier burden and an even more important role, since the political world delegated to them - without realising it - a cardinal power in economic policy.

2007 taught the world the importance and the value of liquidity in the capital markets, and in particular that the world and the markets revolve around one essential factor - mutual trust. Money is merely a sign, rich in semantic content but once trust is no longer there, all financial markets show their weakness and risk closing up like a flower at sunset.

Text by Alessandro Giraudo
Chief Economist TSAF

Activities 2007

Compagnie Financière Tradition is a global interdealer broker in the financial markets. Our 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, we help ensure the most efficient pricing for trades and generate liquidity in the different financial centres, like a real marketplace.

Compagnie Financière Tradition is present in 26 countries. The Group is comprised of two holding companies: Tradition Service Holding (TSH), which specialises in broking money market products, interest rate and credit derivatives, bonds, interest rate futures and index futures; and Tradition Financial Services (TFS), which covers broking activities in currency options, equity derivatives, commodities and precious metals.

The Group delivered robust growth in 2007 with turnover rising 23.8% to CHF 1,417.1 million (2006: 1,144.4 million). At constant exchange rates, consolidated turnover was up by 24.8% on the year.

Activity was strong across all geographic sectors, with the United Kingdom registering a rise of 21.3%, the United States 27.8%, Asia-Pacific 21.7%, and Continental Europe 24.4%.

Turnover grew by 4.5% in money market, interest rate and currency products in 2007.

Turnover in these activities increased by 4.5% to CHF 608.2 million, representing over 40% of total Group turnover.

In the **United Kingdom**, activities in money market and interest rate products remained high, and accounted for 46.5% of the region's global turnover in these lines. These activities grew by 7.2% during the year. Turnover in money market deposits remained stable despite the difficult trading climate. Activity volumes in this segment were hit by falling interest rates in the second half, on the back of the meltdown in the U.S. subprime mortgage sector.

In the **United States**, activities are mainly conducted through our **New York** based subsidiary, Tradition (North America) Inc. The region generated turnover of CHF 164.7 million in this product segment, a rise of 9.2% on the year. The U.S. contributed 32.9% to Group turnover, 11.6% of which was generated by money market products and currency derivatives.

We continued to expand our footprint in South America, with the opening of Tradition Colombia S.A. in Bogota, **Colombia**, in April. This move strengthened our presence in the region, where we have subsidiaries in **Chile** (Tradition Chile Agentes de Valores Limitada), **Argentina** (Tradition Argentina S.A.), and **Mexico** (Tradition Services S.A. de C.V.). These companies operate both in their local markets and with foreign banks, in a rapidly developing environment in which we have substantial market shares.

The **Asia-Pacific** region was down 2.7% in forex and interest rate products, as a result of terminating part of a business segment in December 2006. We are continuing with these activities through Reset Holding (Pte) Ltd, Singapore, a company in which Compagnie Financière Tradition holds a 15% stake, and accounted for in the consolidated financial statements using the equity method. The Group has subsidiaries in all the major financial centres of the Asia-Pacific region: 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**.

We continued our expansion into the emerging markets, with the opening of a subsidiary in **Seoul**, South Korea, in April. This desk has already positioned itself as a major player in what is a very competitive environment. Other acquisitions include a 40% interest in First Taz Money Brokers Sdn Bhd, in **Kuala Lumpur**, Malaysia, and a 50% interest in Derivium Capital and Securities Private Ltd in **Mumbai**, India.

In **Continental Europe**, the Group is present in **Brussels**, **Munich**, **Frankfurt**, **Luxembourg**, **Paris**, **Lausanne** and **Milan**. These entities earned 24.3% of their turnover in money market products and currency derivatives. These activities grew by 5.0% during the year.

In the currency options market, turnover was up by more than 11% during the period, as the subprime mortgage meltdown in the U.S. sent the dollar plunging against the major currencies. The ensuing crisis drove volatility higher and caused spreads to widen, which helped boost activity volumes. The TFS-ICAP joint venture strengthened its position as a major global player in these products, through its offices in **London**, **New York**, **Sydney**, **Tokyo**, **Singapore**, **Frankfurt** and **Copenhagen**.

2007 was an excellent year for securities and security derivatives, with turnover up by 46.3%.

This segment performed strongly across all geographic areas. Turnover reached CHF 563.1 million, representing 39.7% of the Group's activity volume in 2007, with the U.K. up by 36.4%, the U.S. by 57.8%, Asia-Pacific by 167.0% and Continental Europe by 32.8%.

Equity markets hit historical highs in the first half before suffering a sharp correction in the spillover from the credit crisis. Both these extreme environments boosted activity volumes in security derivatives.

As the credit crunch took hold, investors shunned the merger and acquisitions market, which benefited transaction volumes in the index derivatives sector where the Group maintains a strong presence. Our comprehensive coverage of the equity and equity derivatives market drove growth across all sectors, with higher activity levels and increased market shares.

The **United Kingdom** and **Continental Europe** generated turnover of CHF 320.0 million, an increase of 35.1% on the year. Activity levels were higher in equity products and government and corporate bonds. Operations in these products are conducted under the Finacor brand through our subsidiaries TSAF OTC S.A. and Tradition Securities And Futures S.A. in **Paris**, and Finacor Wertpapierhandel GmbH in **Frankfurt**. In France, TSAF OTC S.A. also enjoyed strong growth in the government bond market. In **London**, trading volumes were higher in equities - conducted through a branch of our French subsidiary, Tradition Securities And Futures S.A. - and in corporate bonds, handled by another subsidiary, Tradition (UK) Ltd. In equity derivatives, TFS delivered a very strong performance underpinned by increased activity levels.

In the **United States**, Compagnie Financière Tradition continued to position itself as a major player, thanks to Tradition (North America) Inc. and TFS Derivatives Corp. in **New York**. Turnover in the Americas business segment grew by 57.8% to CHF 220.1 million. This strong development was generated by high transaction volumes in equity derivative products, index and credit derivatives, and all sectors of the bond markets.

The Group continued to develop its business in Asia through its subsidiary TFS, which has offices in **Hong Kong**, **Singapore** and **Sydney**. This region delivered a very strong performance, with turnover increasing by 167.0% to CHF 23.0 million on the back of a substantial rise in trading volumes in credit and equity derivatives.

Group turnover in the commodities sector grew by 20.5%.

The Group's activities in commodities are based in the **United States**, the **United Kingdom**, **Australia**, and the **United Arab Emirates**. Turnover in this segment grew by 20.5% in 2007.

Turnover from activities in the precious metals market rose by more than 19%. The market environment was less volatile than in 2006, despite the weak dollar, spiralling oil prices and a sharp rise in the price of gold spurred by volatility in the equity markets. The Group is a major player in the derivatives market through its subsidiaries in Dubai, New York and Sydney.
In the oil derivatives sector, turnover grew by almost 19% against a backdrop of high volatility and record prices. We are the leading global player in the OTC market, through our TFS offices in London, New York and Singapore.

Turnover from electricity derivatives was up by more than 29% on the year. The U.S. market was less volatile and less active than in 2006, as a result of a more stable climatic environment. Our new positioning in the Texas electricity market and the hiring of new teams enabled us to improve revenues and market shares. Our activities in environmental and weather derivatives (instruments used to hedge certain exposures to commodities) were substantially higher on the back of increased volatility and activity volumes in the Energy sector. Compagnie Financière Tradition is positioning itself as a leading player in this sector.

Turnover almost doubles at Gaitame.com on the back of robust growth in activities.

Gaitame.com Co. Ltd, Tokyo, posted a strong rise in activity levels and a substantial increase in its customer portfolio, which exceeded 200,000 accounts at 31 December 2007. The company offers online forex trading to a clientele made up predominantly of private investors, and is the market leader in this segment in Japan.

Results 2007

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

The accounting policies applied in the preparation of the consolidated financial statements for the period ended 31 December 2007 are identical to those in effect at 31 December 2006.

Turnover grew to CHF 1,417.1 million in 2007, a rise of 23.8% at current exchange rates.

Consolidated turnover was up 23.8%, from CHF 1,144.4 million to CHF 1,417.1 million.
This strong growth was due to sustained activities throughout the year which propelled turnover and profit to record levels. Activity volumes increased by 17.3% in the first half of the year, and grew by 30.5% in the second half. This excellent performance was driven by third quarter activities, which were up by 34.9% over the same period last year.

Results 2007

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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
▪ Europe	**268,281**	251,003	**319,969**	236,873	**68,378**	49,992	**656,628**	537,868
▪ Americas	**164,725**	150,814	**220,117**	139,449	**81,090**	74,342	**465,932**	364,605
▪ Asia-Pacific	**175,197**	180,021	**23,023**	8,625	**96,330**	53,304	**294,550**	241,950
Total	**608,203**	**581,838**	**563,109**	**384,947**	**245,798**	**177,638**	**1,417,110**	**1,144,423**

Operating profit grew to CHF 150.1 million, compared with CHF 109.0 million in 2006.

Consolidated operating profit increased from CHF 109.0 million to CHF 150.1 million with consolidated operating profit from operational activities 37.6% ahead of last year. The consolidated operating margin improved to 10.6% of consolidated turnover from 9.5% in 2006.
Personnel costs amounted to CHF 958.0 million, or 67.6% of consolidated turnover, against CHF 776.3 million and 67.8% respectively in 2006. Variable remuneration was 50.2% of total operational staff remuneration, against 44.0% in 2006.
Travel and entertainment expenses, the second biggest expense category after personnel costs, represented 5.6% of consolidated turnover, marginally down from 5.7% in the previous period.

The cost of telecommunications and financial information, another substantial expense category, dropped to 5.4% of consolidated turnover from 6.4% in 2006.

Net profit attributable to shareholders of the parent rose to CHF 84.6 million from CHF 61.7 million.

Net financial income was CHF 3.4 million against CHF 10.8 million in 2006. Net exchange gains amounted to CHF 0.8 million and net interest income from reinvestment of short-term cash and interest expense amounted to CHF 2.7 million.

The share of the profits of associates climbed to CHF 12.9 million (2006: CHF 0.1 million) and consisted mainly of a share in the profit of Reset Holding (Pte) Ltd, amounting to CHF 4.1 million, and negative goodwill of CHF 6.8 million arising on the purchase of a 15% interest in that company.

Profit before tax on continuing activities grew to CHF 166.4 million from CHF 119.9 million, giving a pre-tax return of 11.7% in 2007, up from 10.5% in the previous financial year. The consolidated tax charge for the year was CHF 72.6 million, or 43.7% of profit before tax, compared with CHF 49.8 million and 41.5% respectively in 2006.
Consolidated net profit rose to CHF 106.0 million from CHF 79.5 million, bringing the net margin to 7.5% of consolidated turnover, against 6.9% in 2006. Net profit for the year attributable to minority interests was up from CHF 17.7 million to CHF 21.4 million.
Net profit attributable to shareholders of the parent rose to CHF 84.6 million from CHF 61.7 million, for a return on consolidated equity of 33.5% (2006: 28.7%).Consolidated shareholders' equity was CHF 327.8 million at 31 December 2007, of which CHF 291.8 million was attributable to shareholders of the parent. This reflects the Group's very solid financial situation, with a cash position and financial assets held for trading and available-for-sale, net of bank borrowings, of CHF 253.9 million at 31 December 2007 (2006: CHF 197.0 million).

Compagnie Financière Tradition reported a company profit of CHF 26.6 million.

Compagnie Financière Tradition, a pure holding company, delivered a net profit of CHF 26.6 million, up from CHF 11.5 million in 2006. This result takes account of dividends of CHF 37.9 million received during the year, other operating income of CHF 14.1 million, mainly comprising royalties invoiced to Group companies, and financial income of CHF 3.3 million. Net operating expenses amounted to CHF 28.7 million, against CHF 18.0 million in 2006. This result brought Company shareholders' equity to CHF 85.4 million at 31 December 2007, compared with CHF 86.6 million in 2006.

Outlook

As one of the world's top three interdealer brokers, Compagnie Financière Tradition will maintain its focus on positioning the Group as a key international player. Our priority is to build the foundations for solid growth, both organically and by selective acquisition, and to develop a global organisation using new technologies.

We will also pursue our growth strategy by strengthening our fundamentals in order to build and exploit our development capabilities.

Consolidated financial statements

Report of the Group auditors

To the General Meeting of

Compagnie Financière Tradition, Lausanne

Lausanne, March 11, 2008

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) included on pages 23 to 58 of Compagnie Financière Tradition for the year ended December 31, 2007.

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 the Swiss Auditing Standards and with the International Standards on Auditing (ISA), 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 Ltd

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

Julien Meylan
Swiss Certified Accountant

Consolidated income statement for the year ended 31 December 2007

CHF 000	Notes	2007	2006[1]
Continuing operations			
▪ Turnover	1	**1,417,110**	1,144,423
▪ Other net operating income	2	**1,679**	6,001
Operating income		**1,418,789**	**1,150,424**
▪ Personnel costs		**-957,988**	-776,297
▪ Other operating expenses	3	**-290,509**	-248,195
▪ Amortisation and depreciation		**-19,387**	-16,885
▪ Impairment losses	8	**-837**	-
Operating expenses		**-1,268,721**	**-1,041,377**
Operating profit		**150,068**	**109,047**
▪ Net financial income	4	**3,457**	10,753
▪ Share of profit of associates	9	**12,855**	109
Profit before tax		**166,380**	**119,909**
▪ Income tax	5	**-72,640**	-49,765
Profit for the year from continuing operations		**93,740**	**70,144**
Discontinued operations			
▪ Profit after tax from discontinued operations	13	**12,274**	9,310
Profit for the year		**106,014**	**79,454**
Attributable to:			
▪ Shareholders of the parent		**84,630**	61,714
▪ Minority interests		**21,384**	17,740
Earnings per share (in CHF):	6		
▪ Basic earnings per share		**15.35**	11.36
▪ Diluted earnings per share		**14.62**	10.90
Earnings per share from continuing operations (in CHF):	6		
▪ Basic earnings per share from continuing operations		**13.12**	9.73
▪ Diluted earnings per share from continuing operations		**12.50**	9.34

(1) The profit realised on the disposal of discontinued operations and the related tax were reclassified under profit after tax on discontinued operations (Notes 4, 5 and 13).

Consolidated balance sheet at 31 December 2007

CHF 000	Notes	2007	2006
ASSETS			
▪ Tangible fixed assets	7	**41,342**	39,525
▪ Intangible fixed assets	8	**37,575**	32,985
▪ Investments in associates	9	**17,575**	1,088
▪ Available-for-sale financial assets		**484**	489
▪ Other financial assets	10	**6,679**	14,448
▪ Deferred tax assets	5	**17,674**	14,164
▪ Unavailable cash	11	**19,868**	15,502
Total non-current assets		**141,197**	**118,201**
▪ Other current assets		**11,946**	14,563
▪ Derivative financial instruments	26	**278**	1,037
▪ Tax receivables	25	**6,720**	5,855
▪ Trade and other receivables	14	**897,602**	825,560
▪ Available-for-sale financial assets	16	**4,863**	-
▪ Financial assets at fair value	15	**25,268**	5,187
▪ Cash and cash equivalents	17	**331,059**	263,244
Total current assets		**1,277,736**	**1,115,446**
▪ Assets held for sale	13	**29,012**	215,853
Total assets		**1,447,945**	**1,449,500**

Consolidated balance sheet at 31 December 2007

CHF 000	Notes	2007	2006
EQUITY AND LIABILITIES			
▪ Capital	18	13,986	13,671
▪ Share premium		32,717	22,436
▪ Currency translation		-19,387	-2,040
▪ Consolidated reserves	18	264,487	218,342
Total equity attributable to shareholders of the parent		**291,803**	**252,409**
▪ Minority interests		36,001	30,350
Total equity		**327,804**	**282,759**
▪ Financial debts	21	9,468	11,446
▪ Provisions	22	23,897	19,458
▪ Deferred tax liabilities	5	3,175	5,389
▪ Deferred income		4,666	-
Total non-current liabilities		**41,206**	**36,293**
▪ Financial debts	21	166,818	84,050
▪ Trade and other payables	24	850,609	834,175
▪ Tax liabilities	25	32,557	25,300
▪ Derivative financial instruments	26	2,392	189
▪ Deferred income		2,824	-
Total current liabilities		**1,055,200**	**943,714**
▪ Liabilities directly associated with assets held for sale	13	23,735	186,734
Total liabilities		**1,120,141**	**1,166,741**
Total equity and liabilities		**1,447,945**	**1,449,500**

Consolidated cash flow statement

CHF 000	Notes	**2007**	2006
Cash flows from operating activities			
▪ Profit before tax on continuing operations		**166,380**	119,909
▪ Profit before tax on discontinued operations		**8,459**	12,534
▪ Amortisation and depreciation		**20,183**	18,047
▪ Impairment losses		**837**	789
▪ Net financial income		**-27,065**	-32,576
▪ Share of profit of associates		**-12,855**	-109
▪ Operating income with no impact on cash flow		**-**	-4,051
▪ Increase in provisions		**23,501**	14,819
▪ Movements in deferred income		**7,967**	-
▪ Expense related to share-based payments		**694**	392
▪ Net losses on disposal of fixed assets		**600**	19
▪ Increase/decrease in working capital		**-27,765**	31,257
▪ Interest paid		**-13,118**	-5,433
▪ Interest received		**19,767**	11,337
▪ Income tax paid		**-69,250**	-47,704
Net cash flows from operating activities		**98,335**	**119,230**
Cash flows from investing activities			
▪ Acquisition of financial assets		**-27,338**	-9,184
▪ Proceeds from sale of financial assets		**425**	30,270
▪ Acquisition of subsidiaries, net of cash acquired		**-1,689**	301
▪ Disposal of subsidiaries, net of cash disposed		**9,353**	-3,660
▪ Change in method of consolidation		**-25,963**	-
▪ Purchases of tangible fixed assets		**-16,336**	-13,760
▪ Proceeds from disposal of tangible fixed assets		**17**	67
▪ Purchases of intangible fixed assets		**-9,090**	-2,926
▪ Proceeds from disposal of intangible fixed assets		**7**	-
▪ Other investment income		**157**	1,892
▪ Dividends received		**1,561**	517
▪ Increase in unavailable cash		**-5,504**	-3,673
Net cash flows from investing activities		**-74,400**	**-156**
Cash flows from financing activities			
▪ Increase in short-term financial debts		**43,408**	12,587
▪ Decrease in short-term financial debts		**-14,712**	-7,127
▪ Decrease in long-term financial debts		**-4,870**	-6,048
▪ Increase in capital and share premium		**10,596**	-
▪ Acquisition of treasury shares		**-**	-318
▪ Proceeds from disposal of treasury shares		**-**	16,403
▪ Dividends paid to minority interests		**-6,763**	-7,662
▪ Dividends paid to shareholders of the parent		**-38,418**	-32,810
Net cash flows from financing activities		**-10,759**	**-24,975**
▪ Movements in exchange rates		**-10,459**	-4,191
▪ Increase in cash and cash equivalents		**2,717**	89,908
▪ Cash and cash equivalents at start of year		**290,401**	200,493
▪ Cash and cash equivalents at end of year	17	**293,118**	290,401

Consolidated statement of changes in equity

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 2006	**5,468,357**	**13,671**	**20,487**	**-13,954**	**5,532**	**189,046**	**214,782**	**21,998**	**236,780**
Currency translation differences	-	-	-	-	-7,572	-	-7,572	-1,179	-8,751
Net loss recognised directly in equity	**-**	**-**	**-**	**-**	**-7,572**	**-**	**-7,572**	**-1,179**	**-8,751**
Net profit for the year	-	-	-	-	-	61,714	61,714	17,740	79,454
Total net profit for the period	**-**	**-**	**-**	**-**	**-7,572**	**61,714**	**54,142**	**16,561**	**70,703**
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 basis of consolidation	-	-	-	-	-	-	-	-547	-547
Impact of recognition of share options	-	-	-	-	-	392	392	-	392
At 31 December 2006	**5,468,357**	**13,671**	**22,436**	**-**	**-2,040**	**218,342**	**252,409**	**30,350**	**282,759**
Currency translation differences	-	-	-	-	-17,032	-	-17,032	-1,229	-18,261
Net loss on cash flow hedges	-	-	-	-	-	-761	-761	-	-761
Net loss recognised directly in equity	**-**	**-**	**-**	**-**	**-17,032**	**-761**	**-17,793**	**-1,229**	**-19,022**
Transfer of difference to income statement	-	-	-	-	-315	-	-315	-	-315
Net profit for the year	-	-	-	-	-	84,630	84,630	21,384	106,014
Total net profit for the period	**-**	**-**	**-**	**-**	**-17,347**	**83,869**	**66,522**	**20,155**	**86,677**
Capital increase	126,094	315	10,281	-	-	-	10,596	-	10,596
Dividends paid	-	-	-	-	-	-38,418	-38,418	-6,763	-45,181
Effect of changes in basis of consolidation	-	-	-	-	-	-	-	-7,741	-7,741
Impact of recognition of share options	-	-	-	-	-	694	694	-	694
At 31 December 2007	**5,594,451**	**13,986**	**32,717**	**-**	**-19,387**	**264,487**	**291,803**	**36,001**	**327,804**

General

Compagnie Financière Tradition is a public limited company with its registered office at 11, rue de Langallerie, 1003 Lausanne. With a presence in 26 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 65.91% controlling interest.

Publication of the consolidated financial statements for the year ended 31 December 2007 was approved by the Board of Directors on 11 March 2008.

Basis of preparation

The consolidated financial statements have been prepared in thousands of Swiss francs except where expressly stated otherwise; the Swiss franc is Compagnie Financière Tradition's functional currency and presentation currency.

The financial statements have been prepared under the historical cost system - with the exception of assets and liabilities held for trading, assets and liabilities designated at fair value through profit or loss, and derivative financial instruments recognised at fair value - and in accordance with International Financial Reporting Standards (IFRS).

Changes in accounting policies

The accounting policies applied to the 2007 financial year are identical to those in effect at 31 December 2006, except for the following standards and interpretations applied in 2007:

International Financial Reporting Standards (IFRS)

IFRS 7 - Financial instruments: Disclosures
IAS 1 - Amendments - Presentation of Financial Statements

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 8 - Scope of IFRS 2
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 10 - Interim Financial Reporting and Impairment

The adoption of these new provisions had no material financial impact during the period but required more detailed disclosures.

The principal changes were as follows:

IFRS 7 - Financial instruments: Disclosures

IFRS 7 requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the Group, and the nature and extent of risks arising from such instruments. This information is mainly disclosed in Note 32.

IAS 1 - Presentation of financial statements

IAS 1 requires disclosures in the financial statements that enable users to evaluate the Group's objectives, policies and processes for managing its equity. This information is disclosed in Note 31.

IFRIC 10 - Interim Financial Reporting and Impairment

IFRIC 10 states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group has not reversed impairments in any of these asset classes and therefore this interpretation has had no impact on the Group's financial statements in 2007.

Key accounting estimates and judgements

When preparing the consolidated financial statements, Management makes certain assumptions and estimates in applying its accounting policies. As a result of the uncertainties inherent in 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 tests goodwill annually for impairment. The value in use of goodwill is estimated using discounted cash flow projections of 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 Management. Total goodwill at 31 December 2007 was CHF 28,119,000 (2006: CHF 28,245,000). Additional information is given in Note 8.

Deferred tax assets

Deferred tax assets are recognised for tax loss carryforwards 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.

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 amounted to CHF 832,000 at 31 December 2006 (2006: CHF 2,271,000). Additional information is given in Note 5.

Employee benefit obligations

The Group's obligations in respect of defined benefit plans are measured each year using actuarial valuations, the most important of which are the discount rate, expected return on plan assets, future salary and benefit increases, and the mortality rate. Because of the long-term perspective, these estimates involve a degree of uncertainty. Net defined benefit obligations were CHF 6,890,000 at 31 December 2007 (2006: CHF 6,775,000). Additional information is disclosed in Note 23.

Significant accounting policies

Changes in the presentation of the consolidated financial statements

Certain balances from the previous year have been reclassified to bring them into line with the presentation of the current financial year. In particular, 2006 comparative figures were adjusted to reflect the following presentation changes:

Balance sheet

Receivables/payables related to matched principal and account holder activities have been grouped in the balance sheet under trade and other receivables, and trade and other payables. From now on, details will be presented in the Notes (Notes 14 and 24).

Cash Flow Statement

Financing from clearing houses arising on current transactions that have gone beyond the expected delivery date was reclassified in the Notes from bank borrowings to bank overdrafts because of its nature. These amounts, totalling CHF 1,207,000 at 31 December 2006, are repayable on delivery of the securities. They are an integral part of the Group's cash flow management and as such are included under cash and cash equivalents in the cash flow statement (Note 17).

Income statement

The profit of CHF 17,822,000 realised on the disposal of discontinued operations was reclassified from net financial income to profit after tax from discontinued operations, in accordance with IFRS 5. This correction of a presentation error was accompanied by the reclassification of income tax of CHF 5,264,000, consisting of current tax of CHF 1,084,000 and deferred tax of CHF 4,180,000 (Notes 4, 5 and 13).

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.

Business combinations

The acquisition of companies is accounted for using the purchase method. Acquisition cost is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquired company, plus any costs directly attributable to the acquisition.

Assets acquired and liabilities and contingent liabilities assumed that satisfy the conditions for recognition, are recognised at their fair values at the acquisition date. Goodwill is recognised as an asset and initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised. If, after reassessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is immediately recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill on subsidiaries is shown on the balance sheet under intangible fixed assets. It is allocated to cash-generating units and is tested annually for impairment. Its value in use is estimated using discounted cash flow projections.
Minority interests in the acquired company are initially measured according to their proportion of the acquired net fair values.

Consolidation methods

Subsidiaries

All companies in which Compagnie Financière Tradition directly or indirectly holds a controlling interest are fully consolidated in the financial statements. 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 in the net assets and in the profit or loss of consolidated subsidiaries are identified and presented separately in the consolidated balance sheet and income statement. Losses applicable to minority interests that exceed their stake in a subsidiary's equity are allocated against the Group's equity except to the extent that the minority shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Joint ventures

The financial statements of jointly controlled companies (joint ventures) are consolidated using the proportionate consolidation method. The consolidated balance sheet and income statement combine, 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 consolidated financial statements of these companies are prepared using the same accounting policies as the parent company; adjustments are made to compensate for any dissimilar accounting policies that may exist.

Associates

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 and the profit or loss of associates. Goodwill identified on associates is included in the carrying amount of the investment and is tested annually for impairment as part of the investment.

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 and losses 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 closing exchange rate applied to the results of subsidiaries, are charged directly to equity, under "Currency translation". When a foreign subsidiary is sold, the relevant cumulative exchange difference recognised in equity is recognised in the income statement.

The principal closing and average exchange rates used for the 2007 and 2006 financial years are presented 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 – namely 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, precious metals and environmental products, as well as activities catering to retail customers through trading 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 a distribution key based on each segment's share of turnover in each sector. Assets related exclusively to the Group's holding companies are presented separately as unallocated items.

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 we 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 interest from reinvestment of short-term cash flows, interest paid on short- and long-term financial debts, and interest related to account holder activities, as well as gains and losses on financial assets and liabilities. This item also includes exchange rate gains and losses on financial assets and liabilities. Interest income and expense are recognised in the income statement pro rata over the relevant period using the effective interest method.

Income tax

Income tax comprises both current and deferred income tax. The tax effect of items directly recognised in consolidated equity is recognised in consolidated 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 tax rate 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 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 when it is probable that taxable profits will be available in the foreseeable future against which the deferred tax asset 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.

Tangible fixed assets

Tangible fixed assets are stated on the balance sheet at 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 equipment:	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 tangible fixed assets and depreciated over their respective estimated useful lives.

Maintenance and repair expenses are charged to profit or loss in the year in which they are incurred. Expenses incurred for increasing future economic benefits related to tangible fixed assets are capitalised and amortised.

The fair value of tangible fixed assets recognised after a business combination is measured on the basis of market data. The market value is the amount that could be obtained from the sale of an asset under normal competitive market conditions between knowledgeable and willing participants in an arm's length transaction.

Leases

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. A lease is recognised 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 depreciated 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.

Intangible fixed assets

Intangible fixed assets are stated on the balance sheet at cost less accumulated amortisation 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 annually for impairment. Estimated useful lives are as follows:

- Software:	3 to 5 years
- Other intangible fixed assets:	3 to 5 years
- Business assets:	indefinite
- Goodwill:	indefinite

Impairment losses on non-financial assets

Assets subject to amortisation or depreciation are reviewed at each balance sheet date to determine whether there is any indication of impairment. Should this be the case, 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 estimated 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 the 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. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised on a CGU, first to reduce to the carrying amount of any goodwill allocated to the CGU (or group of units), and then on the other assets in the unit (or group of units) pro rata to the carrying amount of each asset in the unit (or group of units).

Impairment losses recognised in a previous period on non-financial assets, other than goodwill, are reviewed annually and reversed where necessary.

Financial assets

Financial assets are classified in four separate categories:

Financial assets at fair value through profit or loss

These are financial assets held for trading and financial assets designated at fair value through profit or loss upon initial recognition. These assets are measured at fair value and changes in fair value are recognised in the profit or loss for the period. Derivative financial instruments are deemed held for trading, except for derivatives that are designated as effective hedging instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value then measured at amortised cost using the effective interest method, less any impairment losses. Changes in value are recognised in the income statement for the period. Assets in this class are presented in current assets, except those with maturities of more than twelve months after the reporting date, which are presented in non-current assets under "Other financial assets". In current assets, loans and receivables include trade and other receivables as well as receivables related to account holder activities and receivables related to matched principal activities.

Held-to-maturity investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the positive intention and ability to hold to maturity. They are carried at amortised cost including premiums, discounts, and other elements such as acquisition costs.

Available-for-sale financial assets (AFS)

These are non-derivative financial assets that are designated as available for sale or are not classified under any of the above three categories. Available-for-sale financial assets 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".

Fair value

The fair value of financial assets traded on an active market is determined by reference to the bid price on the valuation date. If there is no observable active market, fair value is estimated using an appropriate valuation technique. Such techniques include the use of recent transactions, reference to the current fair value of another substantially identical instrument, discounted cash flow analysis and option pricing models.

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 forex trading, some Group companies receive deposits from customers, which they in turn deposit with their clearing banks. Receivables and payables related to these activities are presented on the balance sheet under "Trade and other receivables" or "Trade and other payables".

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 current transactions that have gone beyond the expected settlement date are presented on the balance sheet under "Trade and other receivables" and "Trade and other payables". Counterparty receivables and payables for matched principal transactions expected to be settled in the normal course of trading are presented off balance sheet in Note 29.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is or are impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables or on held-to-maturity investments accounted for at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The amount of the reversal is limited to the value of the amortised cost of the asset at the date the impairment is reversed. It is recognised in the income statement.

Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on available-for-sale financial assets, the amount of the loss, equal to the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

Reversals of impairment losses on debt instruments classified as available for sale are recognised in profit or loss if the increase in fair value is objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derivative financial instruments and hedging operations

The Group uses derivative financial instruments on a selective and generally marginal basis, mainly to manage currency risk arising during the course of its activities. These instruments mostly consist of forward 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 the fair value of derivative financial instruments that do not qualify as hedging instruments are recognised in the income statement.
In order to reduce interest rate risk, the Group uses interest rate swaps on a selective basis to convert variable-rate bank borrowings into fixed-rate borrowings. These swaps are

designated as cash flow hedges. At the inception of a hedging transaction, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. In particular, the documentation includes identification of the hedging instrument, the hedged position, the nature of the risk being hedged and the way in which the Group will test the effectiveness of the hedging instrument. Hedges are expected to be highly effective in offsetting changes in cash flows and the Group regularly tests their effectiveness throughout the life of the hedge.

The effective portion of gains or losses on financial instruments that are designated and qualify as hedging instruments are recognised in equity, while those that do not qualify are recognised directly in the income statement.

Any cumulative gains and losses that have been recognised in equity are carried to the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

Other current assets

Other current assets consist mainly of prepayments related to the next financial year.

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 profits and losses on these securities are recognised directly in the income statement. Bank overdrafts are included with short-term bank borrowings.

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

Assets held for sale

Assets or disposal groups are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the assets or disposal groups must be available for immediate sale in their present condition. Management must be committed to selling the asset, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of assets in this category.

Assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss on assets or disposal groups held for sale is recognised first to reduce the carrying amount of existing goodwill and then pro rata to the carrying amount of each asset.

Equity

All shares issued are bearer shares and are presented in equity.
Treasury shares are recognised on the balance sheet at their acquisition cost and presented as a deduction from consolidated 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 share premium reserves.

Financial liabilities

Interest-bearing financial liabilities

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

Non-interest-bearing financial liabilities

This category comprises trade and other payables that are due within one year. Trade and other payables are recognised at inception at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

These are financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. These liabilities are measured at fair value and changes in fair value are recognised in profit or loss for the period. Derivative financial instruments are deemed held for trading, except for derivatives that are designated as effective hedging instruments.

Fair value

The fair value of financial liabilities traded on an active market is determined by reference to the ask price on the valuation date. If there is no observable active market, fair value is estimated using an appropriate valuation technique. Such techniques include the use of recent transactions, reference to the current fair value of another substantially identical instrument, discounted cash flow analysis and option pricing models.

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. Where the time value of money is material, the amount of the provision is estimated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Deferred income

Deferred income comprises income received in advance relating to future financial years.

Employee benefit obligations

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 present value of the Group's defined benefit obligations is measured each year by qualified independent 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.

Actuarial gains and losses arise mainly from changes in long-term actuarial assumptions (discount rates, increased service costs, etc.) and the effects of differences between previous actuarial assumptions and what has actually occurred. The Group uses the corridor approach to recognise actuarial gains and losses. A portion of the 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 (before deduction of plan assets) and the fair value of plan assets at that date. This excess falling outside the corridor is recognised in the income statement 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 provided for.

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 options are exercised, new shares are created by using conditional capital (Note 18).

The fair value of options granted is recognised as a personnel expense with a corresponding increase in equity. Fair value is determined at the grant date and amortised over the vesting period. It is determined using the binomial option pricing model and takes 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 equity.

Contingent assets and liabilities

Contingent assets and liabilities arising from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control, are disclosed 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 interpretations

During the year, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published the following standards, amendments and interpretations which took effect after the balance sheet date: These were not early adopted for the consolidated financial statements at 31 December 2007.

IFRS 8 - Operating Segments
period starting after 1 January 2009

IAS 23 *(amendment)* - Borrowing Costs
period starting after 1 January 2009

IAS 1 *(amendment)* - Presentation of Financial Statements
period starting after 1 January 2009

IFRIC 13 - Customer Loyalty Programmes
period starting after 1 January 2009

The Group will apply the following interpretations from 1 January 2008:

IFRIC 11 - IFRS 2 Group and Treasury Share Transactions
IFRIC 12 - Service Concession Arrangements
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction.

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

1. Segment reporting

Disclosure by geographical segment

At 31 December 2007	Continuing operations				Discontinued operations	TOTAL
CHF 000	Europe	Americas	Asia-Pacific	TOTAL		
■ Turnover	656,628	465,932	294,550	**1,417,110**	25,452	**1,442,562**
■ Operating expenses[1]	-615,244	-393,977	-230,877	**-1,240,098**	-41,668	**-1,281,766**
Segmental operating profit/(loss)	**41,384**	**71,955**	**63,673**	**177,012**	**-16,216**	**160,796**
■ Unallocated expenses[2]				**-26,944**	-	**-26,944**
Operating profit/(loss)				**150,068**	**-16,216**	**133,852**
■ Net financial income				**3,457**	4,511	**7,968**
■ Share of profits of associates	234	1,389	11,232	**12,855**	-	**12,855**
■ Income tax				**-72,640**	3,815	**-68,825**
■ Net gains/(losses) on disposal of discontinued activities				**-**	20,164	**20,164**
Net profit for the year				**93,740**	**12,274**	**106,014**
■ Segment assets	528,530	196,907	624,100	**1,349,537**	29,012	**1,378,549**
■ Investments in associates	764	1,717	15,094	**17,575**	-	**17,575**
■ Unallocated assets[3]				**51,821**	-	**51,821**
Total assets				**1,418,933**	**29,012**	**1,447,945**
■ Segment liabilities	364,353	81,752	505,979	**952,084**	23,735	**975,819**
■ Unallocated liabilities[4]				**144,322**	-	**144,322**
Total liabilities				**1,096,406**	**23,735**	**1,120,141**
■ Costs incurred for acquisition of segment assets						
■ Tangible fixed assets	9,010	4,123	8,750	**21,883**	378	**22,261**
■ Intangible fixed assets	2,951	224	5,757	**8,932**	153	**9,085**
■ Depreciation of tangible fixed assets	-8,378	-3,501	-5,062	**-16,941**	-481	**-17,422**
■ Amortisation of intangible fixed assets	-1,188	-49	-886	**-2,123**	-314	**-2,437**
■ Impairment losses	-837	-	-	**-837**	-	**-837**
■ Other depreciation and amortisation	-2,611	-271	-2,594	**-5,476**	-13,067	**-18,543**

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**
■ Segmental 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				**10,753**	4,001	**14,754**
■ Share of profits/(losses) of associates	82	56	-29	**109**	-	**109**
■ Income tax				**-49,765**	2,040	**-47,725**
■ Net gains/(losses) on disposal of discontinued activities				**-**	12,558	**12,558**
Net profit for the year				**70,144**	**9,310**	**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**

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

Disclosure by business segment

CHF 000	Currencies and interest rates		Securities and security derivatives		Commodities and other activities		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006
▪ Turnover from continuing activities	608,203	581,838	563,109	384,947	245,798	177,638	1,417,110	1,144,423
▪ Turnover from discontinued activities	-	-	4,718	6,284	20,734	30,852	25,452	37,136
Turnover for the year	**608,203**	**581,838**	**567,827**	**391,231**	**266,532**	**208,490**	**1,442,562**	**1,181,559**
▪ Segment assets	293,102	297,115	498,316	588,092	587,131	522,161	1,378,549	1,407,368
▪ Investments in associates	10,328	-	6,091	1,102	1,156	-14	17,575	1,088
▪ Unallocated assets[3]							51,821	41,044
Total assets							**1,447,945**	**1,449,500**
▪ Costs incurred for acquisition of segment assets								
▪ Tangible fixed assets	7,394	7,007	2,221	2,368	12,646	9,484	22,261	18,859
▪ Intangible fixed assets	4,392	888	604	348	4,089	1,506	9,085	2,742

[3] Assets relating to Group holding companies.

2. Other net operating income

An analysis of this item is shown below:

CHF 000	2007	2006
▪ Net losses on disposal of fixed assets	-557	-29
▪ Net expenses related to the TFS-ICAP joint venture	-1,406	-1,092
▪ Other operating income	3,642	7,122
Total	**1,679**	**6,001**

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 financial statements (Note 12).

In 2006, Compagnie Financière Tradition recognised operating income of CHF 4,051,000 from the settlement of litigation between the Group and a former employee over the breach of his employment contract.

3. Other operating expenses

CHF 000	2007	2006
▪ Telecoms and financial information	76,245	73,162
▪ Travel and representation	78,708	65,395
▪ Rental buildings	20,978	20,792
▪ Other operating expenses	114,578	88,846
Total	**290,509**	**248,195**

4. Net financial income

An analysis of this item is shown below:

CHF 000	2007	2006
Financial income		
▪ Interest income	10,432	6,371
▪ Income from equity investments	181	214
▪ Gains on financial assets at fair value	73	8,005
▪ Gains on disposal of equity investments	454	-
▪ Exchange gains	5,800	5,483
▪ Other financial income	165	1,942
Total	**17,105**	**22,015**
Financial expenses		
▪ Interest expenses	-7,726	-3,559
▪ Losses on financial assets at fair value	-242	-122
▪ Exchange losses	-5,009	-7,378
▪ Financial expenses on assets under finance leases	-482	-199
▪ Net change in fair value of cash flow hedges carried to equity	-90	-
▪ Ineffective part of hedging instruments used in cash flow hedges	-96	-
▪ Other financial expenses	-3	-4
Total	**-13,648**	**-11,262**
Net financial income	**3,457**	**10,753**

In 2006, financial income included a capital gain of CHF 17,822,000 recognised on the disposal of 80% of the Group's interest in FXDirectDealer LLC. However, this company was part of a one-off co-ordinated plan to dispose of subsidiaries providing products and services to private investors in Europe and the Americas. This gain was therefore reclassified under "Profit after tax from discontinued operations", without any effect on the net profit (Note 13).

5. Income tax

An analysis of the tax expense on continuing operations is shown below:

CHF 000	2007	2006
Current tax		
■ Taxation for the year	80,556	50,412
■ Tax relating to previous years	-2,156	-533
Total	**78,400**	**49,879**
Deferred tax		
■ Origination and reversal of temporary differences	-7,280	-2,520
■ Use of adjusted tax loss carry-forwards	1,535	2,406
■ Change in tax rate	-15	-
Total	**-5,760**	**-114**
Income tax	**72,640**	**49,765**

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

CHF 000	2007	2006
■ Tangible fixed assets	-747	-146
■ Intangible fixed assets	-672	-511
■ Provisions and accruals	-3,062	-2,095
■ Tax loss carry-forwards	1,535	2,406
■ Other	-2,814	232
Total deferred tax	**-5,760**	**-114**

Deferred tax of CHF 71,000 was recognised in equity in 2007 (2006: zero), representing deferred tax assets on the fair value of interest rate swaps included in the hedging reserve (Note 18).

In 2006, current tax and deferred tax included CHF 1,084,000 and CHF 4,180,000 respectively, for gains on the disposal of discontinued operations. In accordance with IFRS 5, these amounts were reclassified under "Profit after tax from discontinued operations", without any effect on the net profit (Note 13).

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

	2007		2006	
	(%)	CHF 000	(%)	CHF 000
■ Profit before tax on continuing operations		166,380		119,909
■ Adjustment of the share of profits of associates		-12,855		-109
■ Profit before tax on discontinued operations		8,459		12,534
Profit before tax		**161,984**		**132,334**
Standard tax rate	**38.2%**	**61,874**	**36.6%**	**48,529**
Tax effect of the following items:				
■ Use of unadjusted tax loss carry-forwards	-0.1%	-111	-0.5%	-630
■ Unadjusted tax loss for the year	1.1%	1,681	1.1%	1,486
■ Adjusted tax loss from previous years	-1.0%	-1,535	-1.2%	-1,722
■ Tax expense for fully consolidated fiscally transparent companies charged to minority interests	-1.1%	-1,714	-2.4%	-3,139
■ Deferred tax income/expense	-3.5%	-5,760	3.1%	4,066
■ Taxable income deferred in previous years	1.0%	1,619	-	-
■ Non-taxable income	-1.1%	-1,829	-6.6%	-8,706
■ Non-deductible expenses	10.5%	16,981	9.5%	12,633
■ Other	-1.5%	-2,381	0.4%	472
Group's effective tax rate	**42.5%**	**68,825**	**40.0%**	**52,989**
Of which:				
■ Tax expense on continuing operations		72,640		49,765
■ Tax income/expense on discontinued operations (Note 13)		-3,815		3,224

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 tax by balance sheet category is made up of the following items:

CHF 000	2007	2006
Deferred tax assets		
■ Tangible fixed assets	3,186	2,858
■ Intangible fixed assets	1,727	1,359
■ Provisions and accruals	10,229	7,224
■ Tax loss carry-forwards	832	2,271
■ Other	1,700	452
Total	**17,674**	**14,164**
Deferred tax liabilities		
■ Tangible fixed assets	471	853
■ Intangible fixed assets	124	255
■ Other	2,580	4,281
Total	**3,175**	**5,389**
Total net deferred tax	**14,499**	**8,775**
Stated on the balance sheet as follows:		
■ Deferred tax assets	17,674	14,164
■ Deferred tax liabilities	3,175	5,389

Tax loss carry-forwards not recognised on the consolidated balance sheet at 31 December 2007 represented an amount of CHF 15,063,000 (2006: CHF 14,792,000), which could reduce the Group's future consolidated tax charge. These carry-forwards were not recognised because of the history of recent losses at the companies concerned. Virtually all of them are available indefinitely.

6. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year, excluding 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 issued in connection with the exercise of dilutive instruments, excluding treasury shares.

The elements used to calculate earnings per share are shown below:

CHF 000	2007	2006
■ Profit from continuing operations attributable to shareholders of the parent	72,356	52,858
■ Profit from discontinued operations attributable to shareholders of the parent	12,274	8,856
Profit attributable to shareholders of the parent	**84,630**	**61,714**

CHF 000	2007	2006
■ Weighted average number of shares outstanding	5,513,584	5,430,809
■ Adjustment for dilutive effect of share options	273,530	229,109
Weighted average number of shares for diluted earnings per share	**5,787,114**	**5,659,918**

Basic earnings per share are shown below:

CHF 000	2007	2006
■ Basic earnings per share from continuing operations	13.12	9.73
■ Basic earnings per share from discontinued operations	2.23	1.63
Basic earnings per share	**15.35**	**11.36**

Diluted earnings per share are shown below:

CHF 000	2007	2006
■ Diluted earnings per share from continuing operations	12.50	9.34
■ Diluted earnings per share from discontinued operations	2.12	1.,56
Diluted earnings per share	**14.62**	**10.90**

7. Tangible fixed assets

At 31 December 2007

CHF 000	Fixtures and fittings	Computing and telephone	Other tangible fixed assets	TOTAL
Gross value at 1 January	34,938	71,082	4,436	**110,456**
■ Changes in basis of consolidation	-385	-1,164	-658	**-2,207**
■ Acquisitions	8,812	13,030	155	**21,997**
■ Disposals	-702	-3,420	-70	**-4,192**
■ Reclassifications	-1,037	1,018	-14	**-33**
■ Currency translation	-1,784	-2,672	-19	**-4,475**
Gross value at 31 December	**39,842**	**77,874**	**3,830**	**121,546**
Accumulated depreciation and impairment losses at 1 January	-23,435	-45,600	-1,896	**-70,931**
■ Changes in basis of consolidation	241	825	275	**1,341**
■ Depreciation	-4,289	-12,341	-454	**-17,084**
■ Disposals	572	2,946	99	**3,617**
■ Reclassifications	872	-853	-	**19**
■ Currency translation	1,094	1,718	22	**2,834**
Accumulated depreciation and impairment losses at 31 December	**-24,945**	**-53,305**	**-1,954**	**-80 204**
Net value at 31 December	**14,897**	**24,569**	**1,876**	**41,342**
■ Of which assets under finance leases	92	8,108	89	**8,289**

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 basis of consolidation	-27	-986	-	**-1,013**
■ Acquisitions	3,597	14,830	890	**19,317**
■ Disposals	-3,654	-4,054	-275	**-7,983**
■ Transfers in assets held for sale	-912	-1,597	-376	**-2,885**
■ Reclassifications	316	-49	28	**295**
■ 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 basis of consolidation	-4	772	-	**768**
■ Depreciation	-4,326	-10,512	-514	**-15,352**
■ Disposals	3,646	4,091	199	**7,936**
■ Transfers in assets held for sale	803	1,129	346	**2,278**
■ Reclassifications	-40	-	-6	**-46**
■ 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**

Depreciation of tangible assets amounting to CHF 17,084,000 (2006: CHF 15,352,000) is reported under "Amortisation and depreciation" in the income statement.

The Group acquired tangible fixed assets amounting to CHF 6,039,000 (2006: CHF 5,557,000) under finance leases, with no impact on investing activities in the consolidated cash flow statement.

8. Intangible fixed assets

At 31 December 2007

CHF 000	Business assets	Software	Goodwill	Other intangible fixed assets	TOTAL
Gross value at 1 January	2,189	13,694	29,183	3,689	**48,755**
■ Changes in basis of consolidation	-	-	-736	-	**-736**
■ Acquisitions	-	7,078	-	1,859	**8,937**
■ Disposals	-	-865	-	-	**-865**
■ Reclassifications	-	-17	-	-	**-17**
■ Currency translation	-49	-476	-113	-51	**-689**
Gross value at 31 December	**2,140**	**19,414**	**28,334**	**5,497**	**55,385**
Accumulated amortisation and impairment losses at 1 January	-1,186	-10,160	-1,256	-3,168	**-15,770**
■ Changes in basis of consolidation	-	-	-	-	**-**
■ Impairment losses	-	-	-837	-	**-837**
■ Amortisation	-	-2,301	-	-2	**-2,303**
■ Disposals	-	858	-	-	**858**
■ Currency translation	-7	202	45	2	**242**
Accumulated amortisation and impairment losses at 31 December	**-1,193**	**-11,401**	**-2,048**	**-3,168**	**-17,810**
Net value at 31 December	**947**	**8,013**	**26,286**	**2,329**	**37,575**
■ Of which assets under finance leases	-	-	-	-	**-**

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 basis of consolidation	-	-191	-	-	**-191**
■ Acquisitions	-	2,841	3,859	85	**6,785**
■ Disposals	-	-378	-	-27	**-405**
■ Transfers in assets held for sale	-	-974	-	-168	**-1,142**
■ Reclassifications	-	49	-	-24	**25**
■ 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 basis of consolidation	-	42	-	-	**42**
■ Impairment losses	-	-	-789	-	**-789**
■ Amortisation	-	-2,560	-	-135	**-2,695**
■ Disposals	-	345	-	21	**366**
■ Transfers in assets held for sale	-	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	-	-	-	-	**-**

Amortisation of intangible assets amounting to CHF 2,303,000 (2006: CHF 2,695,000) is reported under "Amortisation and depreciation" in the income statement.

An impairment loss of CHF 837,000 (2006: CHF 789,000) is recognised under "Impairment losses" in the income statement.

An analysis of goodwill at 31 December 2007 is shown below:

CHF 000	2007			2006
	Gross value	Accumulated impairment losses	Net value	Net value
■ Derivium Capital & Securities Private Ltd	133	-	133	-
■ Finacor Deutschland GmbH	2,489	-	2,489	2,489
■ Finacor Wertpapierhandel GmbH	2,763	-837	1,926	2,763
■ Gaitame.com Co., Ltd	3,437	-	3,437	3,508
■ Ong First Tradition (Pte) Ltd	-	-	-	866
■ S.P. Angel & Co. Ltd	772	-772	-	-
■ StreamingEdge.com Inc.	439	-439	-	-
■ TFS	18,301	-	18,301	18,301
Total included in intangible fixed assets	**28,334**	**-2,048**	**26,286**	**27,927**
■ Govdesk LLC	293	-	293	318
■ Ong First Tradition (Pte) Ltd	851	-	851	-
■ First Taz Money Brokers Sdn Bhd	689	-	689	-
Total included in investments in associates (Note 9)	**1,833**	**-**	**1,833**	**318**
Total goodwill	**30,167**	**-2,048**	**28,119**	**28,245**

Goodwill generated on the acquisition of a stake in Ong First Tradition (Pte) Ltd was reclassified from "Intangible fixed assets" to "Investments in associates" following a change in the consolidation method used for this company (Note 9).

Cash-generating units (CGU) 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 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 12.8%, in order to reflect the risk in each of the markets. These rates also included 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 projections 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:

%	Discount rate	Growth rate
■ Derivium Capital & Securities Private Ltd	12.8%	3.0%
■ Finacor Deutschland GmbH	9.3%	3.0%
■ Finacor Wertpapierhandel GmbH	9.3%	3.0%
■ Gaitame.com Co., Ltd	6.5%	5.0%
■ Ong First Tradition (Pte) Ltd	7.6%	4.0%
■ TFS	8.0%	4.0%
■ Govdesk LLC	9.0%	3.0%
■ First Taz Money Brokers Sdn Bhd	9.1%	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 of CHF 837,000 for Finacor Wertpapierhandel GmbH on the balance sheet at 31 December 2007.

9. Investments in associates

This item covers the share of associates accounted for using the equity method. Details of these companies are disclosed in Note 34. Compagnie Financière Tradition holds 15% of the voting rights of FXDirectDealerLLC and Reset Holding (Pte) Ltd. However, these companies are accounted for using the equity method as the Group exerts a significant influence in that it is entitled to appoint one of the members of their Boards of Directors.

These associates do not have quoted market prices.

Ong First Tradition (Pte) Ltd

In January 2005, Compagnie Financière Tradition acquired 35.0% of the capital of Ong First Tradition (Pte) Ltd, together with two call options allowing it to increase its holding in the company to 60.0% and thereby acquire a controlling interest. These options expired on 29 January 2007 without being exercised. Consequently, Ong First Tradition (Pte) Ltd, which was fully consolidated until that date, has since been accounted for using the equity method.

In 2006, Ong First Tradition (Pte) Ltd contributed CHF 5.7 million to operating income.

Its main assets and liabilities were presented in Compagnie Financière Tradition's financial statements at 31 December 2006 as follows:

CHF 000	2006
■ Non-current assets	2,006
■ Other current assets	115
■ Trade and other receivables	37,696
■ Financial assets at fair value	553
■ Cash and cash equivalents	25,963
Total assets	**66,333**
■ Minority interests	7,706
■ Deferred tax liabilities	75
■ Trade and other payables	53,410
■ Tax liabilities	127
Total liabilities	**61,318**
Carrying amount of net assets	**5,015**

The change in the method of consolidation used for Ong First Tradition (Pte) Ltd resulted in an outflow of cash and cash equivalents of CHF 25,963,000, which is presented separately in the consolidated cash flow statement under investing activities.

Reset Holding (Pte) Ltd

In December 2006, Compagnie Financière Tradition signed a memorandum of agreement for the acquisition of a 15% stake in a newly created company, Reset Holding (Pte) Ltd, capitalised at USD 0.1 million. In January 2007, the Group authorised the use of a customer database, by new structure, bringing the memorandum into effect.

Under this agreement, Compagnie Financière Tradition is entitled to appoint a director to the Board of Directors of Reset Holding (Pte) Ltd and, consequently, to exert significant influence on the company's financial and operational policies. Accordingly, Reset Holding (Pte) Ltd - which holds 100% of the capital of Reset (Pte) Ltd, a company involved in the electronic matching of interest rate swaps - has been accounted for using the equity method since it commenced operations.

The final terms of this agreement were set out in a contract signed on 19 July 2007.

The fair value measurement of the balance sheet on the acquisition date resulted in the recognition of intangible fixed assets of USD 38.0 million. This item consists mainly of customer lists, and is amortised over 5 years. The operation gave rise to negative goodwill of CHF 6.8 million, which is recognised under the share of profit of associates.

First Taz Money Brokers Sdn Bhd, Kuala Lumpur

Compagnie Financière Tradition acquired 40.0% of the capital of First Taz Sdn Bhd in May 2007, for a consideration of MYR 2.6 million (CHF 1.0 million). The operation gave rise to goodwill of MYR 2.0 million (CHF 0.7 million). The company is specialises in foreign exchange and interest rates, and is accounted for using the equity method.

Changes in investments in associates is shown below:

CHF 000	**2007**	2006
At 1 January	**1,088**	1,008
■ Net profit for the year	**12,855**	109
■ Acquisitions during the period	**934**	-
■ Change in method of consolidation	**5,041**	-
■ Dividends paid	**-1,379**	-
■ Reclassifications	**-138**	-
■ Currency translation	**-826**	-29
At 31 December	**17,575**	**1,088**

Summarised financial information on associates is shown below:

CHF 000	**2007**	2006
■ Turnover	**124,272**	6,984
■ Profit for the year	**38,102**	471
Group share of net profit of associates	**12,855**	**109**

CHF 000	**2007**	2006
■ Assets	**258,761**	136,873
■ Liabilities	**-175,567**	-136,720
■ Net assets	**83,194**	153
Group share of net assets of associates	**17,575**	**1,088**

Interests in associates included goodwill of CHF 1,833,000 at 31 December 2007 (2006: CHF 318,000) (Note 8).

10. Other financial assets

CHF 000	**2007**	2006
■ Employee loans	**723**	3,344
■ Related party receivables (Note 28)	**-**	5,173
■ Other financial assets	**5,956**	5,931
Total	**6,679**	**14,448**

Loans to employees bear interest at 1.5% and have an average maturity of 26 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 5,956,000 at 31 December 2007 (2006: CHF 5,931,000), are secured by a promise to pay granted by VIEL et Compagnie Finance, Compagnie Financière Tradition's ultimate shareholder. Since the start of the winding up of Comipar and Banque Pallas Stern, Compagnie Financière Tradition and its subsidiaries have received liquidation dividends totalling CHF 19,250,000, or 76.5% of declared receivables. This amount has remained unchanged since 31 December 2006. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.
The Group's exposure to credit risk, foreign currency risk and interest rate risk on other financial assets is disclosed in Note 32.

11. Unavailable cash

CHF 000	2007	2006
■ Call deposits and securities given as collateral in connection with broking activities	19,868	15,502

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.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on unavailable cash is disclosed in Note 32.

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 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 between TFS, ICAP and Volbroker was not yet finalised at 31 December 2007. 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 represented a net expense of CHF 1,406,000 in 2007 (2006: CHF 1,092,000) reported under "Other net operating income" (Note 2).

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

CHF 000	2007	2006
Share of joint ventures in the balance sheet		
■ Current assets	507,885	308,480
■ Non-current assets	20,473	16,669
Total assets	**528,358**	**325,149**
■ Current liabilities	456,284	280,699
■ Non-current liabilities	8,329	5,983
Total liabilities	**464,613**	**286,682**
Share of profits of joint ventures		
■ Income	153,836	109,853
■ Expenses	-112,811	-85,318
Profit for the year	**41,025**	**24,535**
Attributable to:		
■ Shareholders of the parent	23,201	13,567
■ Minority interests	17,824	10,968

In November, the Group acquired a 50.0% stake in Derivium Capital & Securities Private Ltd for a consideration of INR 25.8 million (CHF 0.7 million). The operation gave rise to goodwill of INR 4.7 million (CHF 0.1 million). The company is jointly controlled and is accounted for using the proportional consolidation method.

13. Discontinued operations

In 2006, the decision was made to dispose of subsidiaries providing services to retail customers in Europe and the Americas.

In Europe, the Group disposed of its interest in spread betting company Monecor (London) Ltd. Negotiations for the sale began at end-2006 and although the contract was signed in June 2007, it was contingent on approval from the UK regulator, the Financial Services Authority (FSA). This approval was obtained, and the sale went through in October, for a consideration of CHF 30,758,000. The operation gave rise to a consolidated gain of CHF 21,441.000.

In April, the Group disposed of its interest in ABC Clearing Ltd for CHF 1.1 million. The sale generated a consolidated loss of CHF 1.1 million.

In November, S.P. Angel & Co. Ltd sold the business assets of its core retail broking operations. The operation had no impact on Group profit or on the cash flow of the activities that were sold. Discussions are still ongoing regarding disposal of the company's remaining operations.

In the United States, Compagnie Financière Tradition disposed of 80% of its holding in FXDirectDealer LLC in December 2006, reducing its equity interest to 15%. The 2006 comparative figures for the Americas have been restated, to present the CHF 17,822,000 profit on the sale under profit after tax from discontinued operations. Tax related to this operation amounted to CHF 5,264,000.

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

CHF 000	Europe		Americas		TOTAL	
	2007	2006	2007	2006	2007	2006
Turnover	25,452	26,478	-	10,658	25,452	37,136
Other net operating income	-34	-32	-	-	-34	-32
Operating income	**25,418**	**26,446**	**-**	**10,658**	**25,418**	**37,104**
Personnel costs	-9,384	-11,077	-	-6,295	-9,384	-17,372
Other operating expenses	-31,454	-24,502	-	-2,568	-31,454	-27,070
Depreciation and amortisation	-796	-810	-	-352	-796	-1,162
Impairment losses	-	-789	-	-	-	-789
Operating expenses	**-41,634**	**-37,178**	**-**	**-9,215**	**-41,634**	**-46,393**
Operating profit/(loss)	**-16,216**	**-10,732**	**-**	**1,443**	**-16,216**	**-9,289**
Net financial income	4,511	2,465	-	1,536	4,511	4,001
Profit/(loss) before tax	**-11,705**	**-8,267**	**-**	**2,979**	**-11,705**	**-5,288**
Income tax	3,815	2,640	-	-600	3,815	2,040
Net profit/(loss) for the year	**-7,890**	**-5,627**	**-**	**2,379**	**-7,890**	**-3,248**
Gains/losses on disposal of discontinued operations	20,164	-	-	17,822	20,164	17,822
Tax in respect of gains/losses	-	-	-	-5,264	-	-5,264
Profit/(loss) after tax from discontinued operations	**12,274**	**-5,627**	**-**	**14,937**	**12,274**	**9,310**
Attributable to:						
Shareholders of the parent	12,274	-5,627	-	14,483	12,274	8,856
Minority interests	-	-	-	454	-	454

A provision of CHF 13,067,000 (2006: 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 on discontinued operations are presented below:

CHF 000	2007	2006
Net cash flows from operating activities	6,256	3,028
Net cash flows from investing activities	8,823	-3,290
Net cash flows from financing activities	-13,214	12,597

The principal assets and liabilities of companies held for sale at 31 December 2007 are shown below:

CHF 000	2007	2006
Non-current assets	49	1,331
Other current assets	329	545
Tax receivables	-	1,923
Trade and other receivables	26,894	183,477
Financial assets at fair value	142	213
Cash and cash equivalents (Note 17)	1,598	28,364
Assets held for sale	**29,012**	**215,853**
Short-term financial debts	-	13,039
Trade and other payables	23,735	173,695
Liabilities directly associated with assets held for sale	**23,735**	**186,734**
Carrying amount of net assets	**5,277**	**29,119**

The Group's exposure to credit risk, foreign currency risk and interest rate risk on financial assets held for sale, and its exposure to liquidity risk, foreign currency risk and interest rate risk on financial liabilities associated with assets held for sale are disclosed in Note 32.

Short-term financial debts were fully repaid during the year.

An analysis of cash flows from the disposal of ABC Clearing Ltd, Monecor (London) Ltd and S.P. Angel & Co. Ltd is shown below:

CHF 000	2007
Non-current assets	964
Other current assets	194
Tax receivables	3,924
Trade and other receivables	206,153
Cash and cash equivalents	18,752
Trade and other payables	-218,455
Carrying amount of net assets disposed	**11,532**
Net gain on disposal	20,164
Net sale price	**31,696**
Cash and cash equivalents disposed	-18,752
Net sale price receivable	-3,591
Cash flows from disposal	**9,353**

14. Trade and other receivables

An analysis of this item is shown below:

CHF 000	2007	2006
Receivables related to account holder activities	468,836	373,123
Receivables related to matched principal activities	139,472	219,954
Trade debtors	187,479	138,732
Employee receivables	42,551	46,289
Related party receivables (Note 28)	21,655	22,700
Other short-term receivables	37,609	24,762
Total	**897,602**	**825,560**

"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.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on trade and other receivables is disclosed in Note 32.

15. Financial assets at fair value

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

CHF 000	2007	2006
Bonds	21,264	2,507
Shares	3,810	2,297
Investment funds	194	383
Total	**25,268**	**5,187**

Fair value of these financial assets is determined by reference to the bid price at the valuation date.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on financial assets at fair value is disclosed in Note 32.

16. Available-for-sale financial assets

CHF 000	2007	2006
Short-term bank deposits	4,863	-
Total	**4,863**	**-**

This item consists of short-term bank deposits with maturities of more than three months from the date of acquisition.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on available-for-sale financial assets is disclosed in Note 32.

17. Cash and cash equivalents

CHF 000	2007	2006
Cash and call deposits with banks	267,904	190,364
Short-term bank deposits	63,117	62,818
Short-term money-market investments	38	10,062
Cash and cash equivalents on the balance sheet	331,059	263,244
Cash and cash equivalents attributable to discontinued operations (Note 13)	1,598	28,364
less: Bank overdrafts (Note 21)	-39,539	-1,207
Cash and cash equivalents in the cash flow statement	**293,118**	**290,401**

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.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on cash and cash equivalents is disclosed in Note 32.

18. Capital and consolidated reserves

Composition of capital

Capital was CHF 13,986,127 at 31 December 2007 (2006: CHF 13,670,892), consisting of 5,594,451 bearer shares (2006: 5,468,357) of CHF 2.50 nominal value.

Compagnie Financière Tradition issued 126,094 new bearer shares during the 2007 financial year, at a weighted average price of CHF 84.00 per share, increasing capital by CHF 315,235 with a share premium of CHF 10,281,000.

Major shareholders

Financière Vermeer BV, Amsterdam held 65.91% of the voting rights in Compagnie Financière Tradition at 31 December 2007 (2006: 67.43%).

Financière Vermeer is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 54.34% interest at 31 December 2007 against 54.61% at 31 December 2006.

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 25 April 2009.

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 2,442,295 through the issuance of up to 976,918 new bearer shares with a nominal value of CHF 2.50. The increase shall take place through the exercise of a pre-emptive right 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. The characteristics of share options granted to Company employees are disclosed in Note 20.

Moreover, the Company's capital may be increased by up to CHF 3,600,000 through the issuance of up to 1,440,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out:

- Up to CHF 2,500,000 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 trading 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.

- Up to CHF 1,100,000 through the exercise of options independent of share subscriptions granted free of charge to shareholders pro rata to their existing holdings of share capital. The terms and conditions for allocating and exercising share options by shareholders or future option holders (transferrable options) shall be defined by the Board of Directors.

Holders of conversion rights and/or options may subscribe for new shares.

Consolidated reserves

An analysis of this item is shown below:

CHF 000	Retained earnings	General reserve	Reserve for treasury shares	Reserve for share options	Hedging reserve	Other reserves	**Consolidated reserves**
At 1 January 2006	**143,137**	**17,570**	**13,954**	**2,322**	**-**	**12,063**	**189,046**
▪ Reversal of other reserves	20,543	5,474	-13,954	-	-	-12,063	**-**
▪ Dividends paid	-32,810	-	-	-	-	-	**-32,810**
▪ Effect of recognition of share options	-	-	-	392	-	-	**392**
▪ Net profit for the year	61,714	-	-	-	-	-	**61,714**
At 31 December 2006	**192,584**	**23,044**	**-**	**2,714**	**-**	**-**	**218,342**
▪ Allocation to the general reserve	-78	78	-	-	-	-	**-**
▪ Dividends paid	-38,418	-	-	-	-	-	**-38,418**
▪ Effect of recognition of share options	-	-	-	694	-	-	**694**
▪ Effect of recognition of hedging instruments	-	-	-	-	-761	-	**-761**
▪ Net profit for the year	84,630	-	-	-	-	-	**84,630**
At 31 December 2007	**238,718**	**23,122**	**-**	**3,408**	**-761**	**-**	**264,487**

The general reserve and the reserve for treasury shares are not available for distribution. The reserve for treasury shares includes the acquisition cost of Compagnie Financière Tradition shares held by the Group. The Group did not directly hold any treasury shares at 31 December 2007 or 2006.

The share options reserve is used to recognise the fair value of own equity instruments granted to Group employees.

The hedging reserve includes the effective portion of net cumulative changes in the fair value of hedging instruments used in cash flow hedges which relate to hedged positions that have not yet impacted the income statement.

The currency translation reserve comprises foreign exchange differences arising from the translation into Swiss francs of the financial statements of Group companies denominated in foreign currencies It is shown separately in "Consolidated statement of changes in equity".

19. Dividends

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

CHF 000	2007	2006
■ 2007 dividend of CHF 8.0 per share (2006: CHF 7.0)	44,756	38,418

20. Share-based payments

An analysis of the Group's employee share options at 31 December 2007 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	20,000	50,000	20,000 securities on 17.05.04	16.05.16	97.50
■ 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
■ Plan of 14.12.07	25,000	62,500	25,000 securities on 14.12.09	14.12.17	2.50
Total	**436,000**	**1,090,000**			

[1] These options may only be exercised if the employee is still employed by the Group.

25,000 share options were granted to a Group employee in 2007 (2006: 75,000). 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:

	2007	2006
■ Dividend yield	3.67%	4.23%
■ Expected volatility	30.10%	33.29%
■ Risk-free interest rate	3.03%	2.65%

The fair value of each of the options on the grant date was CHF 182.31 (2006: CHF 23.54).

The following share options were exercised during the 2007 financial year:

Grant date	Number of options	Exercise date	Exercise price CHF	Share price on exercise date CHF
■ Plan of 17.05.02	20,000	27 March 2007	97.50	183.00
■ Plan of 18.09.02	106,094	19 September 2007	81.50	210.00

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

CHF	2007		2006	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at beginning of the year	79.80	537,094	71.67	462,094
Granted	2.50	25,000	129.90	75,000
Exercised	84.04	-126,094	-	-
Lapsed	-	-	-	-
Cancelled	-	-	-	-
Outstanding at end of the year	**74.15**	**436,000**	**79.80**	**537,094**
Exercisable at end of the year	**67.03**	**336,000**	**68.74**	**356,000**

Options exercised only give the right to receive shares. Costs of share-based payments in 2007 amounted to CHF 694,000 (2006: CHF 392,000).

21. Financial debts

CHF 000	2007	2006
Short-term		
■ Bank overdrafts	39,539	1,207
■ Bank borrowings	121,444	78,060
■ Short-term portion of long-term bank borrowings	2,462	2,607
■ Short-term obligations under finance leases.	3,373	2,176
Total	**166,818**	**84,050**
Long-term		
■ Bank borrowings	3,281	6,297
■ Obligations under finance leases	6,187	5,149
Total	**9,468**	**11,446**
Total financial debts	**176,286**	**95,496**

Bank borrowings at year-end included a multicurrency credit line of CHF 140 million, consisting of three types of facilities:

- a term loan facility of CHF 50 million over 5 years, declining by CHF 8 million a year over 4 years and CHF 18 million at maturity, fully drawn down.
- a revolving loan facility of CHF 50 million over 3 years, CHF 40 million of which was drawn down
- a revolving loan facility of CHF 40 million, renewable automatically on a daily basis for a period of 360 days, undrawn.

The credit lines are secured by a pledge of equity investments in some of the Group's subsidiaries, and replace the CHF 56 million credit facilities available to Compagnie Financière Tradition at 31 December 2006.

The Group also has two bilateral credit lines which are unsecured and renewable automatically on a daily basis for a period of 364 days and 180 days. The first is for CHF 22 million and is fully drawn down, the second is for CHF 10 million, CHF 9 million of which was drawn down at 31 December 2007.

Long-term bank borrowings include an amount of CHF 3,281,000 at 31 December 2007 (2006: CHF 6,297,000) repayable in monthly instalments of CHF 205,000, and maturing in May 2010.

Unused credit facilities at year-end amounted to CHF 69,376,000 (2006: CHF 11,313,000).

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	2007		
	Minimum lease commitments	Interest	Principal
■ Less than 1 year	3,373	295	3,668
■ Between 1 and 5 years	6,187	321	6,508
■ Over 5 years	-	-	-
Total	**9,560**	**616**	**10,176**

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

The Group's exposure to liquidity risk, foreign currency risk and interest rate risk on financial debts is disclosed in Note 32.

22. Provisions

An analysis of provisions is shown below:

CHF 000	Pensions and post-employment benefits	Litigation	Tax	TOTAL
At 1 January 2006	**12,097**	**1,463**	**2,616**	**16,176**
■ Change in basis of consolidation	15	-	-	**15**
■ 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**
■ Recognised	13,132	1,007	391	**14,530**
■ Used	-3,162	-60	-	**-3,222**
■ Reversed	-6,106	-638	-	**-6,744**
■ Currency translation	-138	-70	83	**-125**
At 31 December 2007	**17,707**	**2,856**	**3,334**	**23,897**

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.

Subsidiaries of Compagnie Financière Tradition were subject to tax audits in 2003 and 2006, involving the 2000 and 2003 financial years. In December 2003 and 2006, they received tax adjustment notices mainly concerning their tax treatment of certain provisions. The tax adjustments accepted were covered by a provision of CHF 3,334,000 at year-end (CHF 2,860,000).

23. Employee benefit obligations

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.

Provisions for pensions and post-employment benefits are broken down as follows:

CHF 000	2007	2006
■ Defined contribution plans	**10,817**	7,206
■ Defined benefit plans	**6,890**	6,775
Total provisions for pensions and post-employment benefits	**17,707**	**13,981**

Expenses related to defined benefit and defined contribution plans are shown under "Personnel costs". Expenses for defined contribution plans amounted to CHF 5,341,000 (2006: CHF 5,043,000).

Provision for defined benefit plans

Recognised balance sheet assets and liabilities

CHF 000	2007	2006
■ Present value of obligations	**35,262**	36,704
■ Fair value of plan assets	**-31,558**	-30,496
Excess of plan obligations	**3,704**	**6,208**
■ Unrecognised net actuarial losses	**3,186**	567
Net defined benefit plan liabilities	**6,890**	**6,775**

Movements in present value of obligations

CHF 000	2007	2006
Present value of obligations at 1 January	**36,704**	36,067
■ Current service cost	**1,558**	1,587
■ Financial cost	**1,176**	1,113
■ Actuarial (gains)/losses	**-3,268**	-2,084
■ Employee contributions	**501**	429
■ Benefits paid	**-1,483**	-458
■ Currency translation	**74**	50
Present value of obligations at 31 December	**35,262**	**36,704**

Movements in fair value of plan assets

CHF 000	2007	2006
Fair value of plan assets at 1 January	**30,496**	26,787
■ Expected return on plan assets	**1,337**	1,197
■ Actuarial gains/(losses)	**-506**	1,363
■ Employer contributions	**1,107**	938
■ Employee contributions	**501**	429
■ Benefits paid	**-1,383**	-206
■ Currency translation	**6**	-12
Fair value of plan assets at 31 December	**31,558**	**30,496**

Group contributions to defined benefit plans in 2008 are estimated at CHF 1,277,000.

Fair value of asset classes as a percentage of total plan assets

%	2007	2006
■ Shares	**24.6%**	27.4%
■ Bonds	**56.5%**	52.4%
■ Property	**9.3%**	9.7%
■ Insurance contracts	**1.9%**	2.0%
■ Other	**7.7%**	8.5%
Total	**100.0%**	**100.0%**

Expected return on plan 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.

Expenses recognised in the income statement

CHF 000	2007	2006
■ Current service cost	**1,558**	1,587
■ Financial cost	**1,176**	1 113
■ Expected return on plan assets	**-1,337**	-1,197
■ Net recognised actuarial (gains)/losses for the year	**-197**	-78
Defined benefit expense	**1,200**	**1,425**

CHF 000	2007	2006
■ Actual return on plan assets	**831**	1,357

Main actuarial assumptions

%	2007	2006
■ Discount rates	**4.40%**	3.54%
■ Expected return on plan assets	**4.17%**	4.38%
■ Future salary increases	**3.03%**	4.11%
■ Future pension increases	**0.42%**	0.29%

Additional disclosures

CHF 000	2007	2006	2005
■ Present value of obligations	**35,262**	36,704	36,067
■ Fair value of plan assets	**-31,558**	-30,496	-26,787
Excess of plan obligations	**3,704**	**6,208**	**9,280**
■ Experience adjustments on plan liabilities	**-1,802**	-497	-521
■ Experience adjustments on plan assets	**-506**	1,363	-2

24. Trade and other payables

An analysis of this item is shown below:

CHF 000	2007	2006
■ Payables related to account holder activities	**473,784**	386,979
■ Payables related to matched principal activities	**104,345**	235,740
■ Accrued liabilities	**185,959**	129,171
■ Related party payables (Note 28)	**11,799**	24,303
■ Other short-term payables	**74,722**	57,982
Total	**850,609**	**834,175**

The Group's exposure to liquidity risk, foreign currency risk and interest rate risk on trade and other payables is disclosed in Note 32.

25. Tax payables and receivables

Consolidated tax payables at 31 December amounted to CHF 32,557,000 (2006: CHF 25,300,000).

Tax receivables of CHF 6,720,000 at 31 December (2006: CHF 5,855,000) consisted mainly of tax instalments paid by Group companies.

26. Derivative financial instruments

The fair value of derivative financial instruments at 31 December 2007 and 2006 is analysed below:

CHF 000	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
■ Forward foreign exchange contracts	**278**	**1 464**	476	37
■ Currency options	**-**	**-**	561	152
■ Interest rate swaps	**-**	**928**	-	-
Total	**278**	**2 392**	**1 037**	**189**

Derivative currency instruments are used on a selective basis to manage short-term foreign exchange risks arising in the Group's principal currencies. The fair value of derivative financial instruments is their carrying amount.

Interest rate swaps

The Group has used interest rate swaps since 2007 to manage its exposure to interest rate movements compared with fixed rates. Portions of these instruments are designated as cash flow hedges.

Contracts with a notional principal of CHF 100,000,000 attract average fixed interest of 4.60% for 6-month maturities and average variable interest rates based on 6-month LIBOR.

The fair value of interest rate swaps is their carrying amount. This amount is based on market prices at the balance sheet date, received from third parties for similar instruments.

The effective portion of losses on these hedging instruments was CHF 832,000 at 31 December, which was recognised directly in equity.

27. Operating leases

Minimum lease payments under non-cancellable operating leases for each of the following periods are:

CHF 000	2007	2006
■ Within one year	22,870	19,197
■ Between one and five years	43,128	31,761
■ After five years	35,761	27,010
Minimum lease payments	**101,759**	**77,968**

These lease commitments, which are not carried on the balance sheet, mainly concern office rentals for Group companies. The amounts shown relate to the non-cancellable period only.
Operating lease charges in 2007 amounted to CHF 22,854,000 (2006: CHF 23,375,000) and are included under "Other operating expenses".

28. 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

CHF 000	2007	2006
■ Salaries and bonuses	28,411	21,079
■ Fringe benefits	303	431
Total	**28,714**	**21,510**

No compensation in the form of post-employment benefits, termination benefits, share-based payments, or any other form of short- or long-term benefits was received by key management personnel in 2007 and 2006, with the exception of share options. 25,000 share options (2006: 75,000) were granted to a member of the Group's Executive Board in 2007, and an expense of CHF 694,000 (2006: CHF 392,000) was recognised on share-based payments granted to key management personnel (Note 20).

Short-term related party receivables

CHF 000	2007	2006
■ Receivables from associates	6,080	7,446
■ Receivables from joint ventures	1,837	1,955
■ Receivables from shareholder and associated companies	6,631	2,484
■ Receivables from key management personnel	7,107	10,815
Total	**21,655**	**22,700**

Long-term related party receivables

CHF 000	2007	2006
■ Receivables from key management personnel	-	5,173
Total	**-**	**5,173**

Short-term related party payables

CHF 000	2007	2006
■ Payables to joint ventures	428	1,795
■ Payables to shareholder and associated companies	11,371	20,862
■ Other related party payables	-	1,646
Total	**11,799**	**24,303**

"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 its stake in Monecor (London) Ltd to a group of private investors in October 2007. At the time, one of the investors was President of Tradition Services Holding S.A.; he left the Group's Executive Board in November 2007. This disposal, for a consideration of CHF 30,758,000, generated a consolidated gain of CHF 21,441,000, which is reported under profit after tax from discontinued operations (Note 13). A receivable of CHF 3,591,000 in respect of the sale is reported under "Employee receivables" (Note 14).

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 2006) 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 97,000 were paid under this arrangement in 2007 (2006: CHF 167,000).

In 2006, the Group sold 80% of its stake in FXDirectDealer LLC to Tradition Service Holding's Managing Director of operations for the Americas, for a consideration of CHF 16,920,000. The net consolidated gain of CHF 17,822,000 arising on this sale is reported under profit after tax from discontinued operations (Note 13). The sale price is payable in six quarterly instalments, with the last payment due on 1 April 2008. Accordingly, receivables totalling CHF 15,998,000, with effective interest of 4.97%, were reported under short- and long-term "Receivables from key management personnel" at 31 December 2006. Business finders' fees amounting to CHF 1,646,000 are payable to Derivatives Marketing Associates Inc., a company held by the purchaser. This amount was reported under "Payables to other related parties" at 31 December 2006, and was due on 28 January 2007.

Guarantees and conditional commitments to related parties

Compagnie Financière Tradition 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.

Guarantees and conditional commitments from related parties

When VIEL and 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 2007, Compagnie Financière Tradition and its subsidiaries 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 Group's remaining receivables to CHF 5,956,000 at 31 December 2007 (2006: CHF 5,931,000).

Consolidation of Compagnie Financière Tradition

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

29. Off-balance sheet operations

Commitments to deliver and receive securities

CHF 000	2007	2006
■ Commitments to deliver securities	**56,836,401**	38,962,428
■ Commitments to receive securities	**56,833,571**	38,960,689

Commitments to receive and deliver securities reflect buy and sell operations on securities entered into before 31 December and closed out after that date, in connection with the matched principal activities of Group companies.

30. Guarantees and conditional commitments

The Group issued a EUR 20.0 million payment guarantee, through its subsidiary Tradition Service Holding S.A., Lausanne, in connection with matched principal activities conducted by its subsidiaries Tradition London Clearing Ltd, London, and Tradition Securities And Futures S.A., Paris. This guarantee expired on 31 December 2007 and has been renewed until 30 June 2008.
Other guarantees and conditional commitments at 31 December 2007 and 2006 concern related parties and are disclosed in Note 28.

31. Financial risk management

The Group is exposed to three main types of risk:
- credit risk
- liquidity risk
- market risk

This note details the Group's exposure to each of these risk areas, its risk management objectives, policy and procedures, and the methods it uses to measure risk.

The Board of Directors is ultimately responsible for establishing the Group's risk management policies and for monitoring the Executive Board. It is assisted in this task by the Audit Committee, whose role is to supervise the internal control system of the financial reporting, risk management, and compliance with local laws and regulations. Internal Audit regularly reviews risk management and internal control procedures, and reports its findings to the Audit Committee.

The Credit Committee, made up of 3 members, is responsible for approving counterparties for matched principal activities.

Credit risk

Credit risk is the risk of financial loss for the Group in the event of non-performance by customers or counterparties to financial instruments. This risk mainly concerns the item "Trade and other receivables".

Compagnie Financière Tradition is an interdealer broker in the financial and non-financial markets, serving a predominantly institutional clientele. This broking business consists of facilitating contact between two counterparties to a trade, and receiving a commission for service rendered. The Group therefore has very limited exposure to credit risk in these activities. The quality of counterparties is assessed locally by the subsidiaries in line with Group guidelines, and payment of commissions receivable is closely monitored. Provisions for impairment losses on receivables are recognised where necessary.

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.

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 aspects 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. Appropriate credit limits are set, taking into account the creditworthiness of the counterparty and the nature of the transactions. Most counterparties are major financial institutions with excellent credit ratings. An essential part of the approval process for counterparties is the segregation between operational functions, and risk assessment and authorisation. The Group recently set in place a new credit risk assessment method, in line with Standard & Poor's rating system. The Risk Management Department regularly monitors compliance with decisions, 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 US 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 US government securities. Membership in the FICC considerably reduces the risk of a counterparty default, since it guarantees settlement of all trades entering its net.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. As part of liquidity risk management, the Group focuses on maintaining cash and cash equivalents at 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and affect the Group's net profit or the value of its financial instruments. Market risk includes currency risk and interest rate risk.

Currency risk

Because of its international standing, the Group is exposed to currency risk. This risk arises when subsidiaries conduct transactions in a currency other than their functional currency. Transactions are principally conducted in US dollars (USD), pound sterling (GBP), yen (JPY), euros (EUR) and Swiss francs (CHF).

Currency risk is analysed globally and its management is the responsibility 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.

Interest rate risk

The Group's exposure to interest rate risk arises mainly from its financial debt structure. However, since over 90% of the debt is short term, this risk is very marginal. Financial debt commitments within the Group must be approved by the Executive Board.

In 2007, as part of its risk management policy, the Group used interest rate swaps to hedge certain variable interest rate debts.

Capital management

The Group's capital management objective is to maintain equity at a level which ensures operational continuity and produces a return on shareholders' investment.

The Board of Directors monitors return on equity, which is defined as the relationship between net profit and shareholders' equity, net of minority interests' share. The Board also monitors dividends paid to shareholders.

The Group manages the capital structure and makes adjustments to in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

In 2007, no changes were made in the Group's approach to managing capital.

Compagnie Financière Tradition is not subject to any externally imposed capital requirements. However, on the local level, some Group subsidiaries are subject to capital requirements imposed by regulators in the countries concerned. Monitoring and compliance with regulatory directives are the responsibility of local compliance officers.

32. Financial instruments

Information in this note includes both continuing and discontinued operations.

Credit risk

Exposure to credit risk

The maximum exposure to credit risk for the Group is represented by the carrying amount of the financial assets. At year-end, exposure to credit risk was as follows:

CHF 000	**2007**	2006
▪ Available-for-sale financial assets	**5,347**	489
▪ Financial assets at fair value	**25,410**	5,400
▪ Loans and receivables	**902,577**	986,661
▪ Derivative financial instruments	**278**	1,037
▪ Cash and cash equivalents	**332,657**	291,608
▪ Unavailable cash	**19,868**	15,502
Total	**1,286,137**	**1,300,697**

Impairment losses

An analysis of trade debtors aging is shown below:

CHF 000	**2007**		2006	
	Gross value	**Impairment losses**	Gross value	Impairment losses
▪ Not overdue	**79,256**	**-**	48,688	-
▪ Overdue by less than 30 days	**52,970**	**-**	43,102	-
▪ Overdue by 31 to 60 days	**24,539**	**-**	25,626	-
▪ Overdue by 61 to 90 days	**19,309**	**-511**	12,078	-29
▪ Overdue by 91 to 180 days	**9,792**	**-1,458**	8,154	-539
▪ Overdue by more than 180 days	**5,554**	**-1,886**	3,114	-1,236
Total	**191,420**	**-3,855**	**140,762**	**-1,804**

Based on experience gained in matters of payment default, the Group considers it unnecessary to write down receivables that are not overdue or are overdue by less than 60 days.

An impairment loss is recognised on receivables when there is objective evidence that the Group will not be able to collect amounts due under the original terms of the receivable. Objective evidence includes serious financial difficulties of the debtor, the growing probability of bankruptcy or financial reorganisation, and payment default. Most clients are major financial institutions with excellent credit ratings.

Movements in the provision for impairment losses on trade debtors during the period is shown below:

CHF 000	2007	2006
■ At 1 January	**-1,804**	-2,536
■ Reclassification	**568**	-
■ Recognised	**-3,204**	-128
■ Used	**284**	438
■ Reversed	**120**	435
■ Currency translation	**181**	-13
At 31 December	**-3,855**	**-1,804**

An aging of receivables related to matched principal activities is shown below:

CHF 000	2007	2006
■ Overdue by less than 5 days	**104,702**	122,744
■ Overdue by between 6 and 15 days	**24,236**	38,816
■ Overdue by between 16 and 30 days	**8,181**	53,737
■ Overdue by between 31 and 45 days	**1,857**	3,707
■ Overdue by more than 45 days	**496**	950
Total	**139,472**	**219,954**

Based on experience gained in matters of default, the Group considers it unnecessary to write down receivables related to matched principal activities. Most counterparties are major financial institutions with excellent credit ratings. Moreover, transactions are subject to appropriate credit limits, established on the basis of the creditworthiness of the counterparty.

Liquidity risk

An analysis of the remaining contractual maturities of financial liabilities, including the estimated amount of interest payments, is shown below:

31 December 2007

CHF 000	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
■ Long-term financial debts	-	-	-	3,281	**3,281**
■ Finance leases - minimum future payments	856	845	1,967	6,508	**10,176**
■ Trade and other payables	868,053	3,447	2,844	-	**874,344**
■ Derivative financial instruments	1,497	677	218	-	**2,392**
■ Short-term financial debts	71,597	90,616	1,232	-	**163,445**
Total	**942,003**	**95,585**	**6,261**	**9,789**	**1,053,638**

31 December 2006

CHF 000	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
■ Long-term financial debts	-	-	-	6,297	**6,297**
■ Finance leases - minimum future payments	645	640	1,271	5,511	**8,067**
■ Trade and other payables	1,000,950	5,262	1,658	-	**1,007,870**
■ Derivative financial instruments	189	-	-	-	**189**
■ Short-term financial debts	92,960	651	1,302	-	**94,913**
Total	**1,094,744**	**6,553**	**4,231**	**11,808**	**1,117,336**

Currency risk

Sensitivity analysis

The Group is exposed to currency risk, particularly the US dollar (USD), sterling (GBP), euro (EUR) and Swiss franc (CHF).

The table below details the Group's sensitivity to a 10% change in a transaction currency compared with corresponding functional currencies. This analysis shows monetary assets and liabilities denominated in a currency other than the functional currency of the Group's entities, and adjusts their value at the end of the period for a 10% change in the foreign exchange rate. It is based on the assumption that all other variables remain constant, and has been prepared on the same basis for the previous financial year.

At 31 December, an appreciation/depreciation of 10% in a transaction currency compared with other corresponding functional currencies would have increased/(decreased) net profit for the period as shown below, with no impact on equity:

31 December 2007

CHF 000	Transaction currencies					
	USD	GBP	EUR	CHF	Other currencies	**Total**
Functional currencies						
■ USD	-	2	-77	-	262	**187**
■ GBP	2,572	-	3,345	369	687	**6,973**
■ EUR	1,043	-108	-	206	55	**1,196**
■ CHF	1,588	1,166	2,596	-	1,183	**6,533**
■ Other currencies	1,257	87	33	-162	225	**1,440**
Total	**6,460**	**1,147**	**5,897**	**413**	**2,412**	**-**

31 December 2006

CHF 000	Transaction currencies					
	USD	GBP	EUR	CHF	Other currencies	**Total**
Functional currencies						
■ USD	-	-	-3	-	1,049	**1,046**
■ GBP	2,804	-	2,369	43	813	**6,029**
■ EUR	346	157	-	183	113	**799**
■ CHF	727	2,929	1,827	-	1,201	**6,684**
■ Other currencies	722	196	91	-196	507	**1,320**
Total	**4,599**	**3,282**	**4,284**	**30**	**3,683**	**-**

Interest rate risk

Profile

The profile of interest-bearing financial instruments at 31 December is as follows:

CHF 000	**2007**	2006
Fixed rate instruments		
■ Financial assets	**92,657**	75,513
■ Financial liabilities	**9,560**	7,325
Net	**83,097**	**68,188**
Variable rate instruments		
■ Financial assets	**610,448**	709,907
■ Financial liabilities	**237,684**	324,543
Net	**372,764**	**385,364**
Of which:		
■ Variable rate financial debts	**166,726**	101,210

Sensitivity analysis of cash flows for variable rate instruments

Interest rate risk on financial liabilities arises mainly from variable rate financial debts. The sensitivity analysis of financial debts considered a 50 basis point change in interest rates.
Variable rate financial assets and liabilities, excluding financial debts, consist mainly of receivables and payables related to account holder activities. Since these assets and liabilities are by nature less subject to interest rate risk than financial debts, the sensitivity analysis considered a 25 basis point change in interest rates.
A 50 bps increase in interests rates (25 bps for net financial assets excluding financial debts) at 31 December would have increased/(decreased) net profit and equity by the amounts shown below. This analysis is based on the assumption that all other variables remain constant and has been prepared on the same basis for the previous financial year.

31 December 2007

CHF 000	Net profit	Equity
■ Net financial assets excluding financial debts	1,349	-
■ Financial debts	-384	-
■ Interest rate swaps	116	617

31 December 2006

CHF 000	Net profit	Equity
■ Net financial assets excluding financial debts	1,216	-
■ Financial debts	-506	-

For interest rate swaps, a 50 basis point reduction in interest rates would have reduced net profit by CHF 148,000 and equity by CHF 1,314,000 at 31 December 2007.

Fair value

The fair value and carrying value of financial assets and liabilities at 31 December are presented below:

31 December 2007

CHF 000	Carrying value	Fair value
■ Available-for-sale financial assets	5,347	5,347
■ Financial assets at fair value	25,410	25,410
■ Loans and receivables	902,577	902,614
■ Derivative financial instruments	278	278
■ Cash and cash equivalents	332,657	332,657
■ Unavailable cash	19,868	19,868
Total financial assets	**1,286,137**	**1,286,174**
■ Short-term financial debts	166,818	166,818
■ Trade and other payables	874,344	874,344
■ Derivative financial instruments	2,392	2,392
■ Long-term financial debts	9,468	9,560
Total financial liabilities	**1,053,022**	**1,053,114**

31 December 2006

CHF 000	Carrying value	Fair value
■ Available-for-sale financial assets	489	489
■ Financial assets at fair value	5,400	5,400
■ Loans and receivables	986,661	986,661
■ Derivative financial instruments	1,037	1,037
■ Cash and cash equivalents	291,608	291,608
■ Unavailable cash	15,502	15,502
Total financial assets	**1,300,697**	**1,300,697**
■ Short-term financial debts	97,089	97,089
■ Trade and other payables	1,007,870	1,007,870
■ Derivative financial instruments	189	189
■ Long-term financial debts	11,446	11,376
Total financial liabilities	**1,116,594**	**1,116,524**

The methods used to measure fair value are disclosed in the section on significant accounting policies.

33. Exchange rates

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

		2007		2006	
		Year-end rate	**Average rate**	Year-end rate	Average rate
■ 1 euro	EUR	**1.65**	**1.64**	1.61	1.57
■ 1 pound sterling	GBP	**2.26**	**2.40**	2.39	2.31
■ 100 Japanese yen	JPY	**1.00**	**1.02**	1.02	1.08
■ 1 US dollar	USD	**1.12**	**1.20**	1.22	1.25

34. Basis of consolidation

The table below shows consolidated companies, 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		FCM/PCM/EM method
COMPAGNIE FINANCIERE TRADITION		Switzerland			CHF	13,986	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	19,050	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
■S.P. Angel & Co. Ltd, London		United Kingdom	100.00%	100.00%	GBP	6,338	FCM
■Tradition London Clearing Ltd, London		United Kingdom	100.00%	100.00%	GBP	2,250	FCM
■Tradition Government Bond Brokers and Derivative Brokers (Pty) Ltd, Johannesburg		South Africa	100.00%	100.00%	ZAR	1,000	FCM
■Tradition Luxembourg S.A., Luxembourg		Luxembourg	100.00%	100.00%	EUR	2,292	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	99.90%	99.90%	EUR	13,325	FCM
■TSAF OTC S.A.., Paris		France	100.00%	99.90%	EUR	10,601	FCM
■Finacor & Associés S.A., Brussels		Belgium	100.00%	99.90%	EUR	497	FCM
■Finacor Belgique S.A., Brussels		Belgium	99.95%	99.95%	EUR	149	FCM
■Finacor 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
■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
■FXDirectDealer LLC, New York		United States	15.00%	15.00%	USD	750	EM
■VIEL Debeausse & Co. Inc., New York		United States	91.00%	91.00%	USD	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
■Elite Broker S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN	50	FCM
■Tradition Services S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN	50	FCM
■Tradition Brasil Escritorio de Representacao Ltda, Sao Paulo		Brazil	100.00%	100.00%	BRL	1,564	FCM
■Tradition Colombia S.A., Bogota	✓	Colombia	100.00%	100.00%	COP	n/s	FCM
■Tradition Argentina S.A., Buenos Aires		Argentina	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		China	100.00%	100.00%	HKD	25,001	FCM
■Tradition Korea Ltd, Seoul	✓	South Korea	100.00%	100.00%	KRW	5,000,000	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	EM
■Reset Holding (Pte) Ltd, Singapore	✓	Singapore	15.00%	15.00%	USD	60	EM
■Tradition Asia Pacific (Pte) Ltd, Singapore	✓	Singapore	100.00%	100.00%	SGD	n/s	FCM
■Tradition Australia Pty Ltd, Sydney		Australia	100.00%	100.00%	AUD	n/s	FCM
■First Taz Money Brokers Sdn Bhd, Kuala Lumpur	✓	Malaysia	40.00%	40.00%	MYR	500	EM
■Derivium Capital & Securities Private Ltd, Mumbai	✓	India	50.00%	50.00%	INR	6,000	PCM
■Tradition CIS LLC, Moscow		Russia	100.00%	100.00%	USD	250	FCM

	New companies	Country	Controlling interest	Equity interest	Capital in thousands		FCM/PCM/EM method
TFS, LAUSANNE		Switzerland	99.92%	99.92%	CHF	3,916	FCM
■ Tradition Financial Services Ltd, London and Tel Aviv branch		United Kingdom	100.00%	99.92%	GBP	250	FCM
■ TFS-ICAP Holdings Ltd, London		United Kingdom	50.00%	54.96%	GBP	10	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%	99.92%	GBP	1,200	FCM
■ Equitek Capital Ltd, London		United Kingdom	100.00%	99.92%	GBP	1,300	FCM
■ TFS Futures & Options S.A. (Pty) Ltd, Johannesburg		South Africa	80.00%	79.94%	ZAR	250	FCM
■ TFS Securities (Pty) Ltd, Johannesburg		South Africa	74.90%	74.84%	ZAR	n/s	FCM
■ Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	99.92%	EUR	153	FCM
■ Tradition Financial Services Inc., New York		United States	100.00%	99.92%	USD	50	FCM
■ TFS Derivatives Corp., New York		United States	100.00%	99.92%	USD	95	FCM
■ TFS Services (Texas) Inc., Houston		United States	100.00%	99.92%	USD	n/s	FCM
■ Tradition Financial Services (Texas) LP, Houston		United States	100.00%	99.92%	USD	n/s	FCM
■ TFS-ICAP Holdings LLC, New York		United States	50.00%	54.96%	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%	52.96%	USD	n/s	FCM
■ TFS Energy Futures LLC, Stamford		United States	100.00%	52.96%	USD	n/s	FCM
■ TFS Energy Inc., Houston		United States	100.00%	52.96%	USD	n/s	FCM
■ TFS Energy (Texas) LP, Houston		United States	100.00%	52.96%	USD	n/s	FCM
■ TFS Energy Solutions (Texas) LP, Houston		United States	100.00%	52.96%	USD	n/s	FCM
■ TFS Energy Solutions LLC, Houston		United States	100.00%	52.96%	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%	93.68%	USD	1,388	FCM
■ Equitek Capital Inc., Delaware		United States	100.00%	99.92%	USD	n/s	FCM
■ Equitek Capital LLC, Delaware		United States	50.00%	49.96%	USD	n/s	FCM
■ TFS Dubaï Ltd		United Arab Emirates	100.00%	99.92%	USD	450	FCM
■ TFS Australia Pty Ltd, Sydney		Australia	100.00%	99.92%	AUD	5	FCM
■ Tradition Financial Services Japan Ltd, Tokyo		British Virgin Islands	100.00%	99.92%	USD	50	FCM
■ Tradition Financial Services (Hong Kong) Ltd, Hong Kong		China	100.00%	99.92%	HKD	200	FCM
■ TFS Derivatives HK Ltd, Hong Kong	✓	China	100.00%	99.92%	HKD	n/s	FCM
■ TFS Energy (S) Pte Ltd, Singapore		Singapore	100.00%	99.92%	USD	60	FCM
■ TFS Currencies Pte Ltd, Singapore		Singapore	100.00%	99.92%	USD	700	FCM
■ The Recruitment Company Holdings Inc., Delaware		United States	79.00%	78.94%	USD	n/s	FCM
■ TRC Recruitment Ltd, London		United Kingdom	100.00%	78.94%	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%	78.94%	JPY	5,000	FCM
■ The Recruitment Company Ltd, Hong Kong		China	100.00%	78.94%	HKD	10	FCM
■ Equitek Capital Limited, Georgetown		Cayman Islands	50.00%	49.96%	USD	n/s	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%	77.97%	EUR	n/s	FCM
■ GIE VCF Gestion, Paris		France	90.00%	89.91%	EUR	n/s	FCM

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

The following companies were incorporated during the 2007 financial year:

- Tradition Korea Ltd, Seoul
- Tradition Asia Pacific (Pte) Ltd, Singapore
- Tradition Columbia S.A., Bogota
- TFS Derivatives HK Ltd, Hong Kong

Company financial statements

Report of the statutory auditors

To the General Meeting of

Compagnie Financière Tradition, Lausanne

Lausanne, March 11, 2008

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet, and notes) included on pages 61 to 67 of Compagnie Financière Tradition for the year ended December 31, 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion 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 the 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 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 reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

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

Julien Meylan
Swiss Certified Accountant

Income statement for the year ended 31 December 2007

CHF 000	Notes	2007	2006
▪ Income from equity investments	III.1	**37,910**	3,118
▪ Other operating income		**14,080**	15,716
▪ Financial income		**3,305**	5,079
▪ Gains on disposal of long-term investments	III.2	**-**	6,423
Operating income		**55,295**	**30,336**
▪ Personnel costs		**-12,147**	-5,490
▪ Other operating expenses		**-12,148**	-7,427
▪ Financial expenses		**-3,918**	-1,439
▪ Provision for impairment of receivables		**-208**	-514
▪ Provision for impairment of equity investments		**-**	-598
▪ Depreciation and amortisation		**-324**	-303
▪ Losses on disposal of equity investments	III.3	**-**	-2,261
Operating expenses		**-28,745**	**-18,032**
Operating profit		**26,550**	**12,304**
▪ Income tax		**-**	-792
Profit for the year		**26,550**	**11,512**

Balance sheet at 31 December 2007

CHF 000	Notes	2007	2006
ASSETS			
▪ Cash and call deposits		817	1,168
▪ Short-term receivables from Group companies		52,746	12,935
▪ Short-term receivables from shareholders		441	-
▪ Other short-term receivables		10,999	5,933
▪ Marketable securities		2,762	1,644
▪ Prepayments and accrued income		290	2,271
Total current assets		**68,055**	**23,951**
▪ Long-term receivables from Group companies		69,715	24,114
▪ Other long-term receivables		4,960	4,964
▪ Equity investments	II.1	71,753	71,745
▪ Tangible fixed assets		997	1,027
▪ Intangible fixed assets		169	344
Total fixed assets		**147,594**	**102,194**
Total assets		**215,649**	**126,145**

Balance sheet at 31 December 2007

CHF 000	Notes	**2007**	2006
LIABILITIES			
▪ Short-term bank borrowings		**99,000**	5,000
▪ Short-term payables to Group companies		**12,896**	13,361
▪ Short-term payables to shareholders		**5,245**	12,755
▪ Other short-term payables		**2,740**	1,349
▪ Accruals and deferred income		**10,396**	7,036
Total payables		**130,277**	**39,501**
▪ Capital	II.4	**13,986**	13,671
▪ General reserve		**43,935**	33,654
▪ Retained earnings		**27,451**	39,319
Total shareholders' equity		**85,372**	**86,644**
Total liabilities		**215,649**	**126,145**

I. BASIS OF PREPARATION

The Company financial statements have been prepared in accordance with valuation principles prescribed by Swiss law. The accounting principles applied in the preparation are the same as those applied at 31 December 2006.

Certain amounts in the previous year's income statement have been reclassified to bring them into line with the current presentation. On the balance sheet, the share premium has been reclassified into the general reserve.

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	
			2007	2006	**2007**	2006
■ Tradition Service Holding S.A., Lausanne	CHF	21,350	**100.00**	100.00	**21,242**	21,242
■ TFS, Lausanne	CHF	3,916	**99.92**	99.91	**50,083**	50,075
■ Tradificom International, Lausanne	CHF	200	**100.00**	100.00	**200**	200
■ StreamingEdge.com Inc., New Jersey	USD	1,000	**60.00**	60.00	**1,698**	1,698
■ Other equity investments					**981**	981
Gross total					**74,204**	**74,196**
■ Depreciation allowance					**-2,451**	-2,451
Net total					**71,753**	**71,745**

Tradition Service Holding S.A. and TFS are sub-holding companies, which in turn hold significant interests in companies broking financial and non-financial products for a broad clientele consisting mainly of 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.

The net asset value used for estimating appropriate provisions was determined on the basis of the company or the consolidated financial statements of these subsidiaries at 31 December 2007 and 2006, translated at the exchange rates prevailing on those dates. The provisions established in this regard amounted to CHF 2,451,000 at 31 December 2007, unchanged from the previous year.

II.2 Fire insurance value of tangible fixed assets

The insurance value of tangible fixed assets stood at CHF 941,000 at 31 December 2007, unchanged from the previous year.

II.3 Liabilities to pension plans

There were no liabilities to employee pension plans at 31 December 2007 and 2006.

II.4 Shareholders' equity

Capital

The Company's capital at 31 December 2007 was CHF 13,986,127, consisting of 5,594,451 bearer shares with a nominal value of CHF 2.50.

During the 2007 financial year, 126,094 new bearer shares were issued at a weighted average price of CHF 84.00 per share, resulting in an increase in capital of CHF 315,235, and a share premium of CHF 10,281,000.

At 31 December 2006, the Company's capital stood at CHF 13,670,892, consisting of 5,468,357 bearer shares with a nominal value of CHF 2.50, unchanged from 31 December 2005.

In February 2005, 18,588 new shares were created, at an issue price of CHF 12.00, resulting in an increase in capital of CHF 46,470, and a share premium of CHF 176,586.

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.

Major shareholders

Financière Vermeer BV, Amsterdam held 65.91% of the voting rights in Compagnie Financière Tradition at 31 December 2007 (2006: 67.43%).

Financière Vermeer is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 54.34% interest at 31 December 2007 against 54.61% at 31 December 2006.

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 25 April 2009.

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 2,442,295 through the issuance of up to 976,918 new bearer shares with a nominal value of CHF 2.50. The increase shall be carried out through the exercise of a pre-emptive right by Company employees. The pre-emptive rights of existing shareholders shall be cancelled. The conditions under which employees may participate shall be defined by the Board of Directors.

There were 436,000 employee share options outstanding at 31 December 2007 (2006: 537,094), representing a potential capital increase of CHF 1,090,000. Each option entitles the holder 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	20,000	50,000	20,000 securities on 17.05.04	16.05.16	97.50
■ 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
■ Plan of 14.12.07	25,000	62,500	25,000 securities on 14.12.09	14.12.17	2.50
Total	**436,000**	**1,090,000**			

Moreover, the Board of Directors may decide to increase share capital by up to CHF 3,600,000 through the issuance of up to 1,440,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out as follows:

- Up to CHF 2,500,000 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 trading 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 will expire.

- Up to CHF 1,100,000 through the exercise of options independent of share subscriptions granted free of charge to shareholders pro rata to their existing holdings of share capital. The terms and conditions for allocating and exercising share options by shareholders or future option holders (transferrable options) shall be defined by the Board of Directors.

Holders of conversion rights and/or options may subscribe for new shares.

III. NOTES TO THE INCOME STATEMENT

III.1 Operating income

Dividends received from subsidiaries in 2007 amounted to CHF 37,910,000 (2006: CHF 3,118,000).

III.2 Gains on disposal of long-term investments

In 2006, Compagnie Financière Tradition disposed of its entire holding of 5,225,000 shares in IFX Group plc at a share price of GBP 1.80, for a total consideration of GBP 9,405,000. A gain of CHF 6,423,000 was recognised on this operation.

III.3 Losses on disposal of equity investments

In 2006, this item was made up of a loss 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 guaranteed credit limits granted to its subsidiary, Tradition Service Holding SA, through a joint surety bond, which amounted to USD 20,000,000 at 31 December 2007 (2006: USD 18,000,000 and CHF 69,300,000). 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. This amount was unchanged on the year. Other short-term receivables include bank security deposits, amounting to CHF 29,000 at year-end (2006: CHF 18,000).
Comfort letters were issued in favour of the Company's indirect subsidiaries, Tradition London Clearing Ltd, London, Tradition (UK) Ltd, Tradition Financial Services Ltd, Tradition Global Clearing Inc, Tradition Singapore (Pte) Ltd and S.P. Angel & Co Ltd, which were required in connection with their activities.

Lease commitments

CHF 000	**2007**	2006
■ Remaining term of contract less than 1 year	**719**	681
■ Remaining term of contract between 1 and 5 years	**360**	1,021
■ Remaining term of contract more than 5 years	**-**	-
Total	**1,079**	**1,702**

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

IV.2 Guarantees and conditional commitments received

When VIEL and 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 2007, 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 4,960,000 at 31 December (2006: CHF 4,964,000).

IV.3 Compensation and loans granted to members of the Board of Directors and Executive Board

Pursuant to the requirements of Section 663b^{bis} of the Swiss Code of Obligations, compensation and loans granted to members of the Board of Directors and Executive Board for the 2007 financial year are disclosed below.

Compensation and loans granted to members of the Board of Directors for the 2007 financial year

Name	Position	Compensation paid	Loans and advances
CHF 000			
■ P. Combes	Chairman of the Board of Directors	-	-
■ C. Baillet	Director/Member of the Audit Committee and Chairman of the Remuneration Committee	57	-
■ P.Y. Bournet(1)	Director/Secretary-General	310	28
■ F. Carrard	Director/Member of the Remuneration Committee	38	-
■ H. de Carmoy	Director	28	-
■ J.M Descarpentries	Director/Member of the Audit Committee	50	-
■ C. Goecking	Director/Member of the Remuneration Committee	40	-
■ P. Languetin	Director/Member of the Audit Committee	50	-
■ R. Pennone	Director/Chairman of the Audit Committee	50	-
■ D. Pinchin(1)	Director/President of TFS	4,181	-
■ U. Schneider	Director	30	-
Total		**4,834**	**28**

(1) Joined the Board of Directors on 25 April 2007.

Compensation and loans granted to members of the Executive Board for the 2007 financial year

Name	Position	Compensation paid	Loans and advances
CHF 000			
■ R. Houldsworth	President of Tradition Service Holding S.A. (resigned in November 2007)	7,853	-
■ Other members[3]		20,861	-
Total		**28,714**	**-**

(3) One of the other members of the Executive Board received 25,000 share options during the year. The fair value of each of the options on the grant date is CHF 182.31. This is amortised over the vesting period and is not included above under compensation paid.

IV.4 Shareholdings, conversion rights and share options of members of the Board of Directors and Executive Board

Pursuant to the requirements of Section 663c of the Swiss Code of Obligations, interests and options held by each member of the Board of Directors and Executive Board at 31 December 2007 are disclosed below. No conversion rights were held at that date.

Shareholdings and share options of members of the Board of Directors at 31 December 2007

Name	Position	Shareholdings	Share options
Number of shares/options of CHF 2,50 nominal value			
■ P. Combes	Chairman of the Board of Directors	3,687,543	266,000
■ C. Baillet	Director/Member of the Audit Committee and Chairman of the Remuneration Committee	32,000	-
■ P.Y. Bournet	Director/Secretary-General	-	-
■ F. Carrard	Director/Member of the Remuneration Committee	7,906	-
■ H. de Carmoy	Director	-	-
■ J.M Descarpentries	Director/Member of the Audit Committee	7,282	-
■ C. Goecking	Director/Member of the Remuneration Committee	-	-
■ P. Languetin	Director/Member of the Audit Committee	7,282	-
■ R. Pennone	Director/Chairman of the Audit Committee	200	-
■ D. Pinchin	Director/President of TFS	- (1)	- (1)
■ U. Schneider	Director	3,849	-
Total		**3,746,062**	**266,000**

(1) Information disclosed below.

Shareholdings and share options of members of the Executive Board at 31 December 2007

Name	Position	Shareholdings	Share options
Number of shares/options of CHF 2,50 nominal value			
■ E. Assentato	Managing Director TSH Americas	2,390	50,000
■ A. Bell	Managing Director TSH Asia-Pacific	-	25,000
■ M. Leibowitz	Managing Director TSH United Kingdom and TFS Europe	2,282	50,000
■ D. Pinchin	President of TFS and Managing Director of Compagnie Financière Tradition	15,000	45,000
■ D. Velter	Strategic Marketing Director	-	-
Total		**19,672**	**170,000**

Proposed appropriation of available earnings

CHF 000	2007	2006
Available earnings		
▪ Retained earnings brought forward	901	13,853
▪ Movements in the reserve for treasury shares	-	13,954
▪ Profit for the year	26,550	11,512
Available earnings	**27,451**	**39,319**
Proposed transfer from the general reserve to available earnings		
▪ Transfer from the general reserve to available earnings	40,901	-
Distribution of 2006 retained earnings and recommendation for the appropriation of 2007 available earnings		
▪ Available earnings after transfer from the general reserve	68,352	39,319
▪ Dividend	-44,756	-38,418
Retained earnings	**23,596**	**901**

A dividend of CHF 7.00 per share was paid for the 2006 financial year, bringing the total dividend payment to CHF 38,418,000.

At the Annual General Meeting to be held on 15 May 2008, the Board of Directors will be recommending a dividend of CHF 8.0 per share for the year ended 31 December 2007, bringing the total dividend payment to CHF 44,756,000.

Compagnie Financière Tradition

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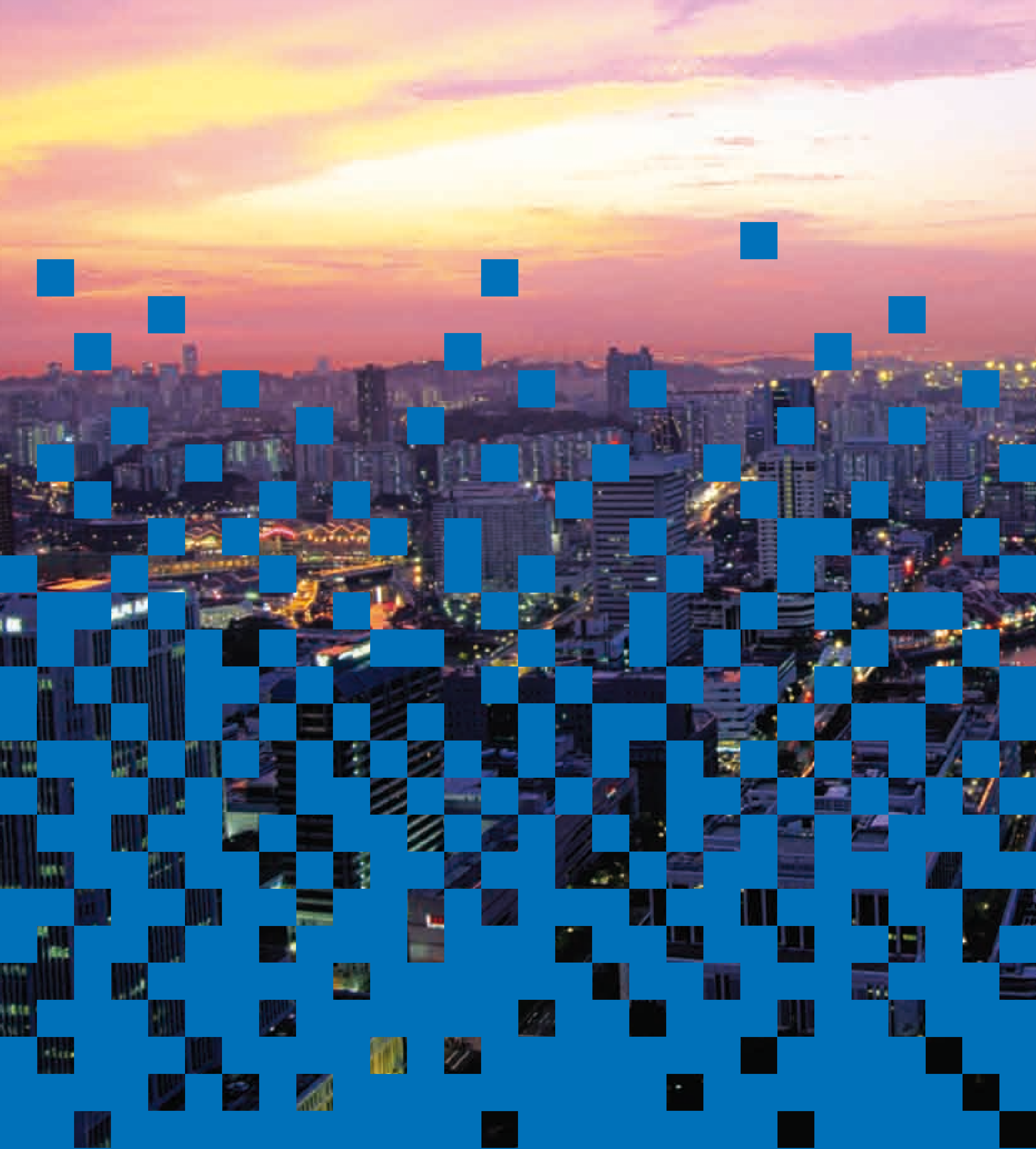

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