

Annual Report 2005



Compagnie Financière Tradition

With a presence in nineteen countries, Compagnie Financière Tradition is one of the world's top three brokers of financial products (money markets, bond markets, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and commodity-related products (precious metals, energy and environmental products, and pulp and paper). The Company is listed on the Swiss Exchange (CFT).



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

Chairman's message

The market environment in 2005 was still heavily influenced by the U.S. economy, while the growing strength of some of the Asian economies and a 40% surge in the price of oil also left their mark. Against this backdrop, the Federal Reserve pursued its money tightening policy, raising interest rates by a quarter percentage point eight times during the year, and lifting its key rate from 2.25% to 4.25%. While this policy contributed to increased market volatility, these rate hikes enabled the dollar to climb by some 14% against the euro and around 20% against the yen, giving export stocks a much-needed boost.

In Asia, Japan's Nikkei benchmark index surged ahead, ending the year up 45%. Emerging markets in Asia (countries such as South Korea and Thailand) and South America (Brazil and Argentina in particular), enjoyed exceptional growth in 2005, as did China and India which achieved double-digit growth rates. But while Asia was experiencing a remarkable boom, Europe's economy was in fragile health. Already weakened by the French and Dutch "No" vote on the EU Constitution, Europe was further affected by the unsettling two-month electoral face-off in Germany. Other factors, such as an unemployment rate of around 9% and weak domestic consumption also weighed on growth.

Against this economic backdrop, Compagnie Financière Tradition's activities were up 10.9% on 2004, at actual exchange rates, with consolidated turnover reaching CHF 942.4 million.

We pressed ahead with our policy of organic growth and largely achieved our target of a 5% annual growth rate. This was chiefly thanks to the enhancement of our portfolio of products internationally, and the recruitment of new teams. The Group's total headcount at 31 December 2005 was more than 2,100 worldwide.

Our development strength lies in our expertise in cutting-edge technology, which is evident in the exceptional performance of activities at the retail end of the market, such as spread betting with Tradindex.com in London, and online forex trading with Gaitame.com in Tokyo and FXDD.com in the U.S. We will continue to leverage this technological culture in order to expand the global reach of our services.

Compagnie Financière Tradition adopted the IFRS as the basis of its accounting for 2005. Under these standards, profit before tax was CHF 71.9 million for profitability before tax of 7.6%. Net profit was CHF 41.6 million, Group share of net profit was CHF 28.5 million, for a return on consolidated equity of 14.2% in 2005.

In keeping with our commitment to position the Group as a leading player in its sector, we will maintain our focus on developing our business organically and through acquisition, while continuing to deliver good profitability and improved margins. The stakes are high for participants in the market and extracting value is fundamental in the ongoing consolidation of the sector.

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

In the light of the Company's results and the outlook for 2006, the Board will be proposing a dividend of CHF 6.0 per share at the Annual General Meeting in May of this year.



A handwritten signature in black ink, appearing to read 'Patrick Combes', written over a light blue background.

Patrick Combes

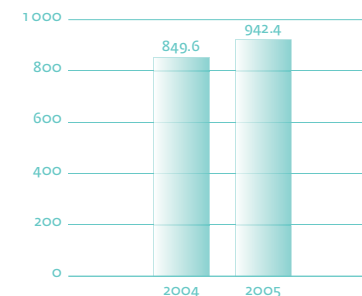
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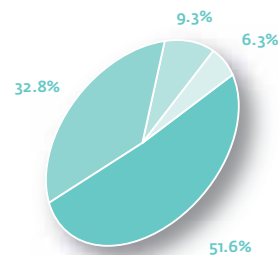
Key figures

Consolidated turnover up to 10.9% to CHF 942.4 million.

Consolidated turnover in millions of Swiss francs

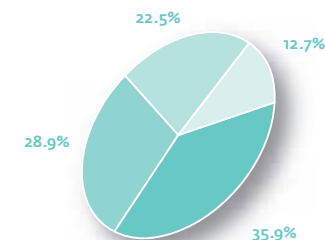


2005 Turnover by product



- Currencies and interest rates
- Securities and security derivatives
- Commodities
- Other activities

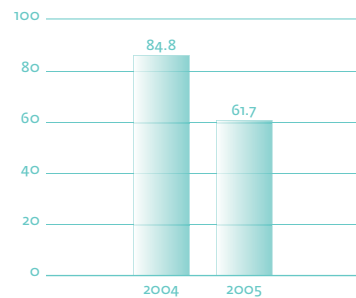
2005 Turnover by geographic area



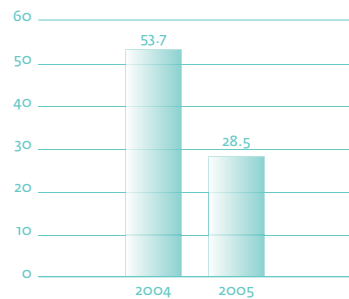
- United Kingdom
- United States
- Asia-Pacific
- Continental Europe

Consolidated operating profit was CHF 61.7 million in 2005, and net profit - Group share was CHF 28.5 million.

Consolidated operating profit in millions of Swiss francs

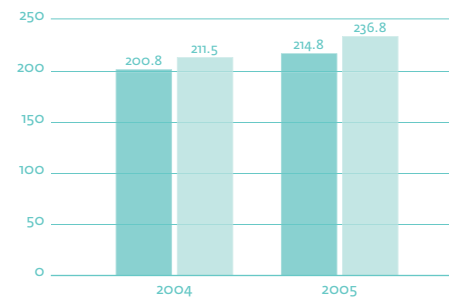


Net profit - Group share in millions of Swiss francs



Consolidated shareholders' equity of CHF 236.8 million confirms Compagnie Financière Tradition's sound financial position.

Consolidated shareholders' equity in millions of Swiss francs

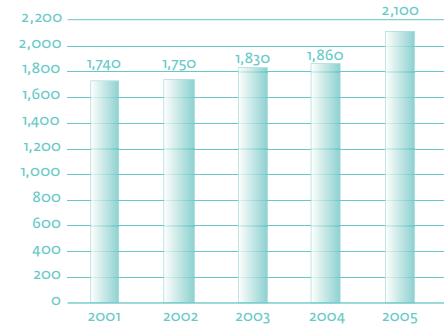


Consolidated shareholders' equity - Group share ■
Consolidated shareholders' equity ■

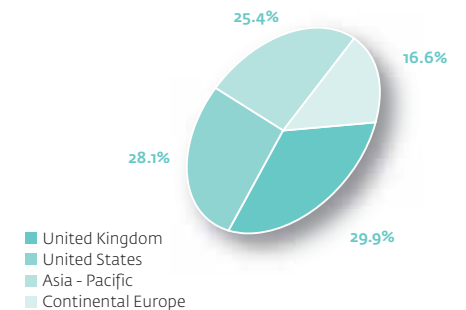
Return on consolidated shareholders' equity in 2005: 14.2%

With a presence in nineteen countries, Compagnie Financière Tradition employed close to 2,100 worldwide at end-2005, almost 77% of who were brokers.

Headcount at 31 December



Headcount at 31 December 2005 by geographic area



Information for shareholders

The morosity of 2004 in the interdealer broking sector was followed by an altogether more optimistic year for all international markets in 2005.

Compagnie Financière Tradition's share price ended on a high note, gaining 21.3% to reach CHF 134.0 at 31 December 2005, valuing the Company at CHF 732,760,000.

Share performance

The shares started the year at CHF 110.5, briefly touching CHF 110.0, their lowest point, on 6 January.

After climbing steadily for the next three months they lost steam in April, sliding back before recovering again in June. During the second half, the share price grew at a solid pace, hitting a high for the year of CHF 136.0 on 6 October.

After the release of half-year results the price stabilised, closing the year at CHF 134.0, and valuing the company at CHF 732,760,000 at 31 December 2005.

The shares gained 21.3% in 2005, while the SMI benchmark index was up 31.5%.

Stock market data

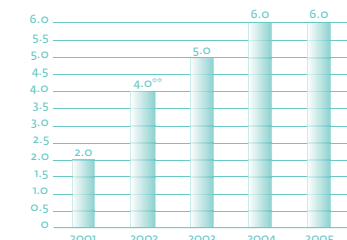
	2005	2004
Number of shares at 31 December	5,468,357	5,449,769
Market capitalisation at 31 December	CHF 732,760,000	CHF 604,924,000
Highest price	CHF 136.0	CHF 126.0
Lowest price	CHF 110.0	CHF 96.0
Closing price at year-end	CHF 134.0	CHF 111.0
Average daily volume	1,957	2,107
PER * at 31 December	25.7	11.3
PTB ** at 31 December	3.4	3.0
Operating profit per share ***	CHF 11.5	CHF 15.9
Net profit - Group share per share ***	CHF 5.3	CHF 10.1
Dividend per share	CHF 6.0	CHF 6.0

* Price Earnings Ratio

** Price to Book - Group share

*** Based on the weighted average number of shares outstanding during the period after deducting the average number of treasury shares.

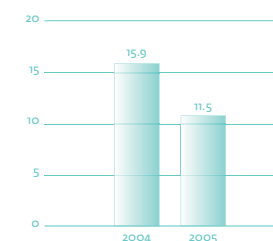
Dividend per share[°] in Swiss francs



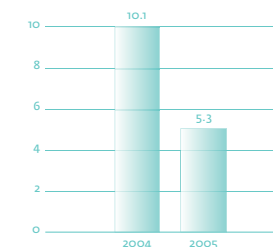
[°] based on a share with a nominal value of CHF 2.50.

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

Consolidated operating profit per share[°] in Swiss francs



Consolidated net profit - Group share per share[°] in Swiss francs



[°] based on weighted average number of shares during the year after deducting the average number of treasury shares.

Fact file

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

Advanced 2006 calendar

1 February	Publication of turnover for 2005
9 March	Publication of results for 2005
3 May	Publication of turnover for the first quarter of 2006
17 May	Annual General Meeting
2 August	Publication of turnover for the first half of 2006
20 September	Publication of results for the first half of 2006
2 November	Publication of turnover for the third quarter of 2006

Our investor relations calendar is updated regularly and is available on www.traditiongroup.com.

Contacts

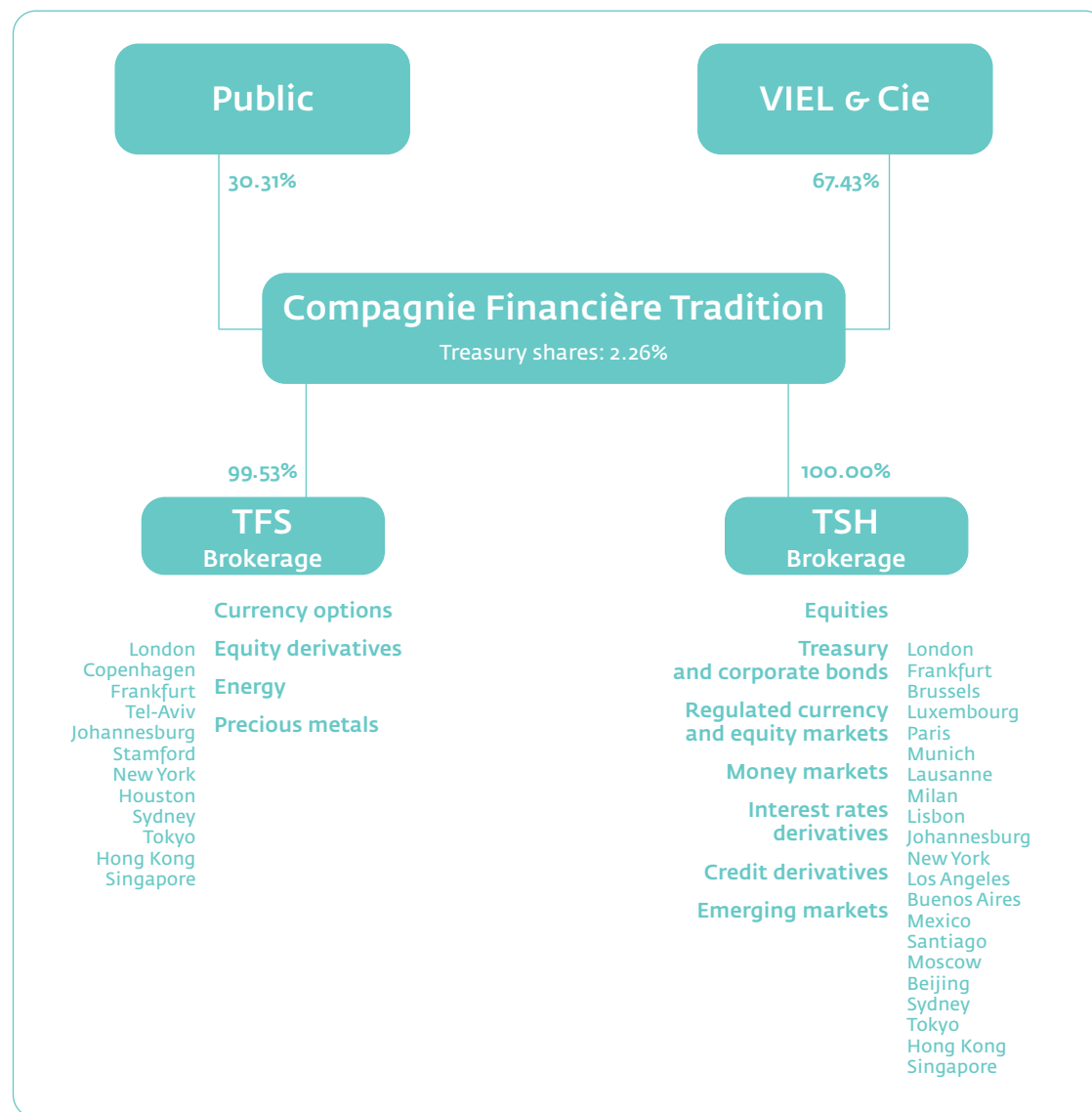
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www.traditiongroup.com
 A dedicated communication platform for Compagnie Financière Tradition's shareholders:
 Share price
 Press releases
 Calendar of events
 Key figures
 Presentations

E-mail: ir@tradition.com

Simplified organisation chart at 31 December 2005



Compagnie Financière Tradition, a leading global player

Compagnie Financière Tradition is one of the world's top three interdealer broker, and a leader in a broad range of financial products (money markets, bond markets, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and commodity-related products (precious metals, energy and environmental products, and pulp and paper).

It is a major player in the over-the-counter (OTC) markets, as well as in certain regulated markets, thanks to its network of subsidiaries located in the world's major financial centres - London, New York, Tokyo, Hong Kong and Singapore.

With a presence in 19 countries, spanning three time zones, Compagnie Financière Tradition has a critical mass of buyers and sellers, bringing its clients improved liquidity for all their trades, from the simplest to the most complex. With its international spread and diversified product portfolio it is strategically positioned to take advantage of geographical development opportunities.

As a real marketplace, Compagnie Financière Tradition offers a neutral and independent brokering service. In its role as a marketplace and intermediary, it organises liquidity for its customers in certain products on OTC markets by providing pre-trade information, collecting their buy or sell orders, and building the order book.

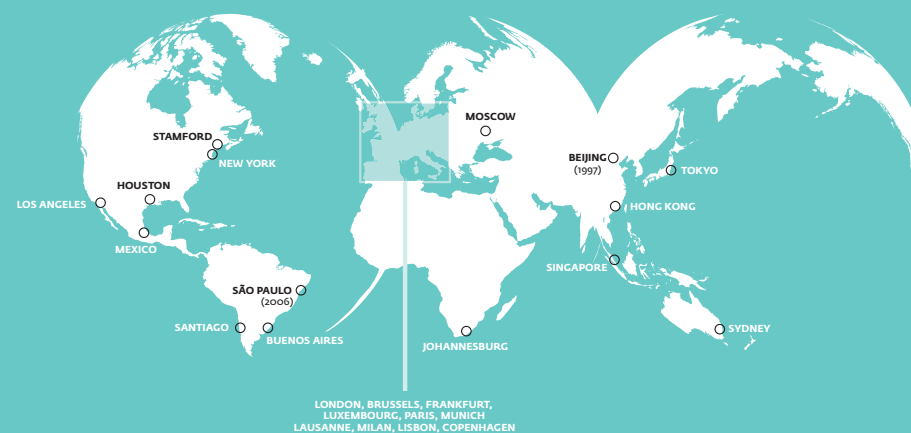
The Group's revenues are comprised of transaction fees. It earns commissions from matching counterparties with reciprocal interests or executing transactions on regulated markets for exchange-traded instruments.

Compagnie Financière Tradition's customer base consists primarily of investment and trading banks, financial institutions, and blue-chip corporations.

The Group has grown into one of the largest broking networks in the OTC markets, by number of geographic locations.

Compagnie Financière Tradition is the No. 3 player in its sector. Since the end of the nineties, this sector has been consolidating around a few major international groups, most of which are English or American.

Compagnie Financière Tradition, a geographic spread



Compagnie Financière Tradition, a leading global player

The key to Compagnie Financière Tradition's success lies in its experience, its extensive network of clients, and an in-depth understanding of their objectives.

Its product range and market approach are oriented towards development and innovation. The Group has accorded prime importance to the development of a comprehensive range of products covering currencies and interest rates, securities and security derivatives, commodities and other non-financial products. It is at the forefront in terms of launching new services and technological developments.

Milestones in the Group's development

- 1959** : Company founded.
- 1973** : Compagnie Financière Tradition listed on the Swiss Stock Exchange.
- 1982** : Launch of the Forward Rate Agreement, an interest rate derivative product which was to become a benchmark in the financial markets.
- 1989** : Initiated the first OTC oil derivatives transactions in London.
- 1997** : First broker to open a representation office in China.
- 1998** : Invested in companies producing innovative technology, such as streaming with its subsidiary StreamingEdge.com Inc.
- 2002** : Set up the first hybrid voice/online broker in the currency market, when it merged its currency options operations with those of Volbroker, an electronic trading platform.
- 2004** : Prize for the best e-broker (currency options) at the FX week e-FX Awards, awarded to its New York subsidiary, TFS-ICAP LLC.
- 2005** : Tradition Chile Agentes de Valores Ltda, the new subsidiary of Compagnie Financière Tradition, opens its doors for business in Santiago, expanding its coverage in the Americas.

Compagnie Financière Tradition is set to develop its futures brokerage business in Asia with the acquisition of a stake of 35.0% in Ong First Tradition (Pte) Ltd., one of Singapore's oldest and most reputable brokerage firms.

TFS, subsidiary of Compagnie Financière Tradition has taken the top position in the Equity Derivatives category in this year's RISK magazine's inter-dealer poll.

This corporate culture, strongly oriented towards development and innovation, is combined with an unwavering drive for expertise in an extensive range of market segments.

Compagnie Financière Tradition is present in some of the most complex and advanced segments of the market: exotic currency options, inflation swaps, weather derivatives, structured products, credit derivatives on indexes, and more.

Its dominance in the institutional markets and online broking has led it to develop a new range of services, offering private investors access to online forex trading and spread betting.

Several new activities have been launched over the past few years.

In London, the Group successfully introduced a spread betting site, TradIndex.com, which enjoyed solid growth in 2004 and 2005.

In Tokyo, since 2002, Gaitame.com has been offering its private customers online forex trading in the spot markets, via the Internet or I-mode. Today, the company is the market leader in this segment in Japan.

FXDirectDealer LLC (FXDD.com), an online forex trading platform, has also expanded rapidly. Launched in the U.S. in 2003, this New York-based subsidiary offers online execution capability to investors in spot foreign exchange.

The Group is also developing its activities as a financial information provider under the Tradition brand.



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" published by the SWX Swiss Exchange in August 2002.

Share structure

The Company's capital consists entirely of bearer shares.

Share structure, authorised capital and conditional capital, as well as changes in share capital over the past three years and information concerning options issued by the Company or its subsidiary undertakings on Compagnie Financière Tradition's shares, are presented in the Notes to the Financial Statements on pages 60 and 61 of the Annual Report. Compagnie Financière Tradition had no dividend right certificates or participation certificates, and the Company had no convertible loans outstanding at 31 December 2005.

Group structure and major shareholdings

The Group's organisation chart is shown in summary form on page 5 of the Annual Report and the scope of consolidation is set out on pages 49 and 50.

At 31 December 2005, Compagnie Financière Tradition held a 99.53% interest in TFS, a Swiss company listed on the Second Marché of Euronext Paris, ISIN code CH0000491206. At TFS' request, it was removed from the listing on 15 February 2005.

The Group's major shareholders are presented on page 45. No shareholders' agreement existed at 31 December 2005, and there were no cross-shareholdings exceeding 5% of the voting rights or share capital.

General Meeting and shareholder rights

In accordance with Article 18 of the Articles of Association, each share carries the right to one vote. The Company's Articles of Association do not provide for any restriction on shareholders' statutory voting rights, other than in respect of attendance at a General Meeting - Article 17 of the Articles stipulates that "a shareholder may only be represented at the General Meeting by his legal representative or by another shareholder attending that Meeting, in possession of an instrument of proxy" - and the quorums required for the approval of an "extension and restriction of the scope of Company operations" and a "merger with another company". These last items both require the affirmative vote of no less than two thirds of the shares represented and an absolute majority of the nominal value of shares represented at a general meeting where no less than 51% of the nominal value of all shares issued is represented.

Pursuant to Sec. 699(3) of the Swiss Code of Obligations (CO), shareholders whose shares together represent a nominal value of CHF 1 million, may request in writing the inclusion of an item of business on the agenda. According to Article 14(2) of the Articles of Association, an Extraordinary General Meeting of shareholders must convene within forty days following the request for a meeting.

The General Meeting is convened at least twenty days prior to the appointed date, by notice published in the "*Feuille Officielle Suisse du Commerce*".

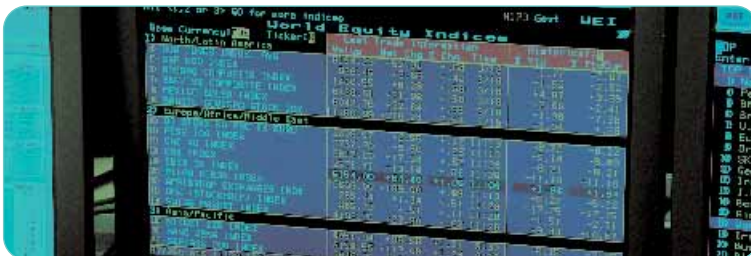
The notice convening the meeting must indicate the items of business on the agenda, as well as any motions of the Board of Directors and shareholders who have requested the convening of the meeting or an item of business to be included on the agenda, and, in case of elections, the names of the candidates standing for election.

Board of Directors and Executive Board

Board of Directors

The Board of Directors is composed of nine members. Other than its Chairman, Mr Patrick Combes, all the Directors are independent and non-executive. None of these Directors has previously belonged to any governing bodies of Compagnie Financière Tradition or of any of its subsidiaries, nor did they have business relations with Compagnie Financière Tradition or any of its subsidiaries at 31 December 2005, with the exception of Mr Robert Pennone, partner of Pennone & Partners S.A. On 26 May 2000, Compagnie Financière Tradition had entered into a liquidity contract with this firm, under which it was appointed market maker for Compagnie Financière Tradition shares.

Corporate governance



There was no cross-representation on the boards of directors of the companies listed at 31 December 2005. A detailed career history and the offices of each of the Directors appear on pages 12 and 13 of the Annual Report. Directors hold office for three years, beginning at the General Meeting at which they are elected and ending at the General Meeting following the expiry of their office. They are eligible for re-election. When a director ceases to hold office, for whatever reason, a new director is elected for the term of office that would have remained had his or her predecessor completed their full term.

The Board of Directors is invested with powers and obligations under the law (Sec. 716(a) of the Swiss Code of Obligations), the Articles of Association and the Company's organisational regulations. In particular, it takes all decisions in all areas that are not reserved to the General Meeting or any other governing body. It exercises the highest level of management and strict control over the Management and people empowered to represent the Company.

The Board of Directors meets approximately four to six times a year - when the half-year and annual accounts are closed, at each General Meeting, and whenever Company business so requires. Its meetings last an average of three hours.

The **Audit Committee**, chaired by Mr Robert Pennone, is made up of four independent, non-executive members, all experienced and knowledgeable in the fields of accounting standards, finance and auditing. The role of the Audit Committee is to assist the Board of Directors in its task of supervising the financial reporting process, the internal control of financial reporting and Company procedures aimed at ensuring compliance with the laws, regulations and code of best practice.

The Audit Committee also reviews the performance, efficiency and fees of the external auditors, and ensures that they maintain their independence. Lastly, it reviews the effectiveness of the financial and risk management departments' cooperation with the external auditors. This Committee meets three to four times a year and its meetings last between three and six hours.

The **Remuneration Committee**, chaired by Mr Christian Baillet, has three independent, non-executive members. It makes recommendations to the Board of Directors regarding remuneration schemes and policies and, more specifically, regarding the terms of remuneration of members of the Executive Board, share option schemes and other incentive schemes. This Committee meets once a year and its meetings last about three hours.

The Board of Directors and its committees receive the full cooperation of the Executive Board, which regularly attends meetings of the Board of Directors to present accounts of its management. Depending on the agenda set by the Chair of each of these Committees, one or more Executive Board members are invited to attend Committee meetings, to provide information required by the Committee and answer questions. In this context, financial executives are regularly consulted by the Audit Committee and invited to attend every Committee meeting preceding the Board of Directors' meeting at which the half-year or annual accounts are closed.

Corporate governance

Executive Board

The Executive Board of Compagnie Financière Tradition is made up of seven people, who meet regularly and exercise the powers conferred on them by the organisational regulations. In this regard, the Board of Directors delegates all ongoing management of the Company to the Executive Board.

Biographical details of each of the Executive Board members, including their education, career history, and positions held within Compagnie Financière Tradition are shown on page 13 of the Annual Report.

Members of the Executive Board do not hold any other positions in governing or supervisory bodies of major corporations, foundations or institutions, or any directorships, and perform no consultancy functions for significant interest groups, or any official duties or political mandates. At 31 December 2005, there were no management contracts between Compagnie Financière Tradition and any companies outside the Group.

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

According to our information, the non-executive Directors of Compagnie Financière Tradition and parties closely linked to them held a total of 59,078 Company shares at 31 December 2005. Also according to our information, at 31 December 2004, the Chairman of the Board of Directors, members of the Executive Board and parties closely linked to them held a total of 3,758,616 Compagnie Financière Tradition shares, of which 3,687,543 were held by Financière Vermeer BV, indirectly controlled by Mr Patrick Combes, and 462,094 share options, each exercisable in respect of one Compagnie Financière Tradition bearer share. Details of all employee share options (date granted, expiry, and exercise price) are presented in the Notes to the Financial Statements, on page 61 of the Annual Report.

Remuneration for members of the Board of Directors and Executive Board

Non-executive Directors of the Company received total remuneration of CHF 236,988 in 2005, paid in the form of cash (CHF 149,988 in 2004).

This annual remuneration for each Director comprises a fixed amount of CHF 15,000, and a variable amount of up to CHF 10,000, determined on the basis of the director's attendance at the various Board meetings during the year. In addition, four non-executive Directors also receive a fee of CHF 10,000 each for their functions as members of the Audit Committee. The highest compensation paid in 2005 was CHF 35,000, paid in the form of cash. Finally, travelling expenses incurred by Directors, and other expenses related to the performance of their duties, were partially reimbursed.

No share options were granted to non-executive directors during the year.

Executive remuneration is set by the Board of Directors, on the recommendation of the Remuneration Committee. Members of the Executive Board receive a fixed salary as well as performance-related remuneration. In 2005, remuneration for the executive member of the Board of Directors and members of the Executive Board amounted to CHF 14.7 million (CHF 14.7 million in 2004). CHF 8.0 million was paid in the form of salaries, CHF 6.3 million in the form of cash bonuses, and CHF 0.4 million in the form of perquisites.

No new share options were granted to the executive member of the Board of Directors or to members of the Executive Board in 2005, and no previously granted options were exercised during the year. Details of

options granted to Company employees are given in the Notes to the statutory accounts, on page 61 of the Annual Report.

No share allocations were granted to members of either the Board of Directors or the Executive Board.

No termination bonus was paid in 2005 to Executive Board members who left the Group.

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

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 Compagnie Financière Tradition and its subsidiary undertakings do not generally contain any specific provision concerning a change in control of Compagnie Financière Tradition, with the exception of employment contracts of three members of the Executive Board. All three contracts contain a clause providing for these executives to retain office, under identical employment conditions, in the event of a change in control of the Company.

Information policy

Compagnie Financière Tradition publishes consolidated turnover figures on a quarterly basis, and consolidated results on a half-yearly and annual basis. It also issues information concerning all events that may affect its share price, in accordance with the requirements of Article 72 of the Listing Rules. Sources of Company information and contact addresses are shown on page 5.

Risk management and internal control

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

Compagnie Financière Tradition is committed to strict risk management throughout its operations. The core of this broking activity is to facilitate contact between counterparties seeking to trade financial or non-financial products directly between themselves. The broker acts as a completely neutral intermediary. The risks are limited, and are mainly related to the transfer of information to clients and the payment by these clients of commissions due.

In each of the Group's subsidiaries, the software systems, organisation of administrative teams, and control procedures that have been set in place, ensure efficient follow-up on client transactions. They also meet the standards (for example, separation of functions, automatic confirmations, recording of conversations and daily controls). Outstanding commissions are monitored regularly. However, increasingly sophisticated customer requirements have brought about changes in broking methods in equities, bonds and securities.

Not all counterparties want the markets to know their intentions, and some may wish to remain anonymous. In this case they will ask a broker to act as a neutral agent between buyer and seller.

The broker buys and sells the securities simultaneously in its own name and therefore does not take a real-market position. It must, however, guarantee settlement of all trades. This form of broking is known as "matched principal transactions", and requires specific organisation and follow-up.

Specific risks incurred in matched principal and clearing transactions

Having executed the transactions, the broker must then ensure that the clearing is carried out correctly. The risk is that technical delays may occur or that the counterparty may default before the clearing takes place.

There are two essential inputs in this operation: the quality of the counterparties involved in the trade, and the efficiency of the administrative organisation behind the clearing.

Regarding the first point, all counterparties must be approved by the Credit Committee. The Risk Management Department regularly ensures that decisions are properly observed and reviews the effectiveness of control procedures for counterparties and clearing operations.

The clearing operations themselves are handled by specialised teams. Compagnie Financière Tradition's indirect subsidiary, Tradition London Clearing Ltd, is a dedicated clearing company, and the pivot for the Group's principal transactions in Europe. Tradition Asiel Securities Inc., one of the Group's American companies, performs all clearing operations in the U.S.A.

This company is a member of the FICC (Fixed Income Clearing Corporation), formerly the GSCC (Government Securities Clearing Corporation), a central settlement counterparty for U.S. securities. Membership in the FICC considerably reduces the risk of a counterparty default, since it guarantees settlement of all trades entering its net.

Internal Audit and Risk Management

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

External auditors

The Company's external auditors for the consolidated and statutory accounts are Ernst & Young S.A. of Lausanne. They were first appointed in 1996, and re-appointed by the Annual General Meeting of 18 May 2005, for a term of one year. The firm is represented by Mr Hans Isler, auditor in charge, who took up office for the audit of the 2003 accounts, and Mr Simon Durrance. Ernst & Young earned fees of CHF 2,490,000 for fiscal 2005, CHF 236,000 of which were for services other than auditing the accounts of Compagnie Financière Tradition and its subsidiaries. This compares with fees of CHF 2,298,000 and CHF 190,000 respectively in 2004.

Board of Directors

	Appointment at Compagnie Financière Tradition	Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2005	Education	Career history
Patrick Combes <i>Chairman of the Board of Directors</i> French national, aged 53	First elected on 7 January 1997. Re-elected 11 May 2004 for 3 years.	Chairman of the Board of Directors of VIEL & Cie (France), VIEL et Compagnie Finance (France), and Financière Vermeer BV (Netherlands), Director of Verbalys (France) and Bourse Direct (France).	Ecole des Affaires Européennes (ESCP-EAP), Paris. MBA from Columbia University.	Upon his return from New York in 1979, he took over VIEL & Cie, gradually transforming the Company through organic and external growth, first within France and then on the international level, into a global player on the world's financial markets. In 1996, when VIEL & Cie took control of Compagnie Financière Tradition, Patrick Combes became Chairman of the Board of Directors.
Christian Baillet <i>Director</i> French national, aged 55 Member of the Audit Committee and Chairman of the Remuneration Committee	First elected on 7 January 1997. Re-elected 11 May 2004 for 3 years.	President of Quilvest Holding France and Quilvest Capital France. Director of VIEL & Cie (France), CA Holding (France), Orphan (France), Chief Executive Officer of Quilvest S.A. (Luxembourg), Chairman of the Board of Directors of Société Internationale de Finance (Switzerland) and Chairman of the Executive Board of Banque Privée Quilvest (France).	Centrale Lyon (France) and the United States MBA from Wharton, University of Pennsylvania.	Christian Baillet joined the Corporate banking division of Citicorp in New York in 1975. Since 1978, he has been with the Bemberg Group, based in Paris, where he was Manager of French and European Investments before becoming Group Finance Director. In 1994, he was appointed Chief Executive of Quilvest S.A. Luxembourg, in charge of investments. He is also President of the Executive Board of Banque Privée Quilvest, Paris, and President of Société Internationale de Finance, Zurich.
Hervé de Carmoy <i>Director</i> French national, aged 68	First elected on 29 September 1997. Re-elected on 11 May 2004 for 3 years.	President of Almatris Holding BV (Holland) and Chairman of the Supervisory Board of Sydney & London Properties (U.K.).	Graduate of the Institut d'Etudes Politiques, Paris. MBA from Cornell University.	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 Almatris GmbH Frankfurt, world leader in alumina chemical products. He is presently President of Almatris Holding B.V. (Holland).
François Carrard <i>Director</i> Swiss national, aged 67 Member of the Remuneration Committee	First elected on 7 January 1997. Re-elected on 11 May 2004 for 3 years.	Chairman of the Boards of Directors of Beau-Rivage Palace S.A. in Lausanne (Switzerland), GroupeVaudoiseAssurances (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).	LL.D., University of Lausanne.	François Carrard has been a practising attorney since 1967. He is a partner in the law firm of Carrard, Paschoud, Heim & Associés in Lausanne, and a specialist in corporate law, particularly the banking and financial sector, as well as sports law - he is legal counsel to the International Olympic Committee and was its former Director General from 1989 to 2003 - and international arbitration and mediation.
Jean-Marie Descarpentries <i>Director</i> French national, aged 69 Member of the Audit Committee	First elected on 7 January 1997. Re-elected on 11 May 2004 for 3 years.	Chairman of the Supervisory Board of GINGER (France), President of the FNEGE (France) and FONDACT (France), member of the Conseil Supérieur de la Participation (France), Director of Assurances et Conseils St-Honoré (France), Banque de Vizille (France), VIEL & Cie (France), Completel (Netherlands), and Censeur de Parsys (France), Cabasse (France), member of the Strategy Committee of Bolloré (France), Secor (France), Member of the Advisory Board of British Telecom Services (U.K.), Celérant Consulting (U.K.).	Graduate of the Ecole Polytechnique of Paris.	Jean-Marie Descarpentries has been a senior executive in some of Europe's major industrial groups (Shell, Danone, St Gobain, Interbrew). From 1982 to 1991, he was CEO of Carnaud Metalbox. From 1994 to 1997, he was CEO of Bull, and was responsible for turning the company around and its privatisation. He is presently President of the FNEGE (Fondation Nationale pour l'Enseignement de la Gestion des Entreprises) and FONDACT (Association pour la Gestion participative, l'Epargne salariale et l'Actionariat de responsabilité), and is Chairman of the Supervisory Board of GINGER (France).
Christian Goecking <i>Director</i> Swiss national, aged 62 Member of the Remuneration Committee	First elected on 7 January 1997. Re-elected on 11 May 2004 for 3 years.	Deputy Director of Berney & Associés S.A. (Switzerland) (member of Horwath International), Vice-Chairman and Chairman of the Audit Committee of CIM Banque (Suisse) S.A.	Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.	Christian Goecking has spent 38 years in banking, finance, and particularly in financial brokerage. He has worked in senior management and as Deputy Director at major Swiss banks and English brokerage houses, and was Manager of private asset management at the Julius Baer Bank in Geneva and Lugano.

Pierre Languetin

Director

Swiss national, aged 82
Member of the Audit Committee

First elected
on 4 May 1995.

Re-elected 11 May 2004
for 3 years.

Chairman of the Board of Directors of Rosbank S.A. (Switzerland) and member of the Board of Director of the Ludwig Institute for Cancer (Switzerland).

Degree in economics
and business administration
and Docteur Honoris Causa
from the University of
Lausanne.

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 Int. Trade Agreements from 1966, and a member, then President, 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

Director

Swiss national, aged 61
Member of the Audit Committee

First elected
on 7 January 1997.

Re-elected 11 May 2004
for 3 years.

President of Pennone & Partners S.A. (Switzerland), Vice-President of Banque Bénédicte Hentsch & Cie S.A. (Switzerland), President of RSI Securities (Switzerland), Vice-President of the Board of Directors of AGEFI Groupe SA (Switzerland) and Director of GEM Global Estate Managers S.A. (Switzerland).

Certified accountant

Robert Pennone joined Deloitte as a partner in 1975. In 1979, he became a partner of Lenz, a Geneva law firm, to develop Revex / Audiba until that company merged with Ernst & Whinney in 1987. He then became Deputy Director of the Swiss entity until 1989, when Ernst & Whinney merged with Arthur Young to become Ernst & Young. He was a member of the Board of Directors and the Executive Board of Ernst & Young from 1989 until end-1993. During that time he was also a member of the Worldwide Banking Committee, and Managing Director of Ernst & Young M+A Europe. In 1994, he created Pennone & Partners S.A. and participated in developing the MC Securities Group. More recently, he became co-founder of GEM Global Estate Managers S.A.

Urs Schneider

Director

Swiss national, aged 60

First elected
on 7 January 1997.

Re-elected 11 May 2004
for 3 years.

President of Finance Watch (Switzerland) and member of the Foundation Board of the International Social Service (ISS) - Swiss Section.

Graduate of the Hochschule
für Wirtschafts-, Rechts- und
Sozialwissenschaften (HSG)
of the University of St.
Gallen

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 a member of the academic staff at the Swiss Banking School since 1989.

At 31 December 2005, none of the directors held any permanent management or consultancy positions for significant interest groups, or any public or political office.

Executive board

Patrick Combes, Emil Assentato, Adrian Bell, Robin Houldsworth, Peter Kaelin, David Pinchin, Dominique Velter.

Emil Assentato

Managing Director
TSH Americas
American national, aged 56

An economics graduate from Hostra University in 1973, Emil Assentato 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.

Adrian Bell

Managing Director
TSH Asia - Pacific
Australian national, aged 46

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

Robin Houldsworth

President of Tradition
Service Holding S.A.
British national, aged 42

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

Peter Kaelin

Head of Internal Audit
and Risk Management
Swiss national, aged 47

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

David Pinchin

President of TFS
American national, aged 58

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 had previously held the position of Managing Director of International Treasury Management Ltd., a subsidiary of HSBC and Marine Midland bank, where he traded interest rate swaps. He holds an honours degree in Business Studies from the City of London College.

Dominique Velter

Strategic Marketing Director
French national, aged 41

Dominique Velter holds a Master's degree in economics from Paris-Dauphine University (France). She joined BATIF, the capital market banking arm of Thomson, when it was formed in 1986. In 1989, she was appointed Director of financing of the Bernard HAYOT Group, specialists in wholesale and retail distribution. She obtained an MBA from ISA-HEC 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.

2005 Economic Review

World economic growth estimated at 4.3% in 2005.

Trend set to continue in 2006.

Economists already looking at emerging trends for 2007.

The United States economy continued its momentum, and despite repeated interest rate hikes, grew by over 3.5%.

The U.S. again pump-primed the world economy. Neither the difficulties, nor the devastation of Hurricanes Katrina and Rita in the Gulf Coast region, nor even the upsurge in oil prices dampened U.S. economic growth, which economists believe will attain 3.6%.

Unsurprisingly, the Federal Reserve increased interest rates by 25 basis points eight times during the year, lifting its key rate from 2.25% to 4.25%, the highest it has been since April 2001. This makes a total of thirteen consecutive hikes in the benchmark rate since its low of 1% in mid-2004.

While helping the dollar put on some 14% against the euro and around 20% against the yen, these hikes also gave export stocks a much-needed boost.

The 40% jump in oil prices pushed consumer prices up 0.7% to 3.4% over 12 months. Household consumption however remained sound at close to historical highs, buoyed by the wealth effect generated by record housing prices.

So consumption held up, investment progressed and the jobless rate again was on the decline. The start of 2006 should remain very active, particularly in the light of rebuilding work in the disaster areas of the Gulf Coast region, but the first signs of a relative easing are likely to appear later in the year and become more evident in 2007. However, OECD forecasts for the northern domestic market are for GDP to remain high in 2006, at 3.5%.

Management of the post-Greenspan era has fallen to Ben Bernanke, who will take over at the helm of the Fed on 1 February 2006. A member of the Board of Governors of the Federal Reserve from August 2000 to June 2005, then economic adviser at the White House, Ben Bernanke has a reputation as an advocate of transparency and considers communication to be an instrument of good monetary policy, unlike his predecessor.

2005 Economic Review

In Europe, growth rates in Germany and France, the two largest economies in the Union, were only about 1.6%.

The European picture in 2005 was altogether different. In fragile economic health and weakened by the French and Dutch rejection of the EU Constitution, Europe was further affected by the unsettling two-month electoral face-off in Germany. Other factors, such as an unemployment rate of around 9% and weak domestic consumption also weighed on growth.

Consensus forecasts are for European GDP to grow by 1.3% in 2005, just one third of the predicted growth rate across the Atlantic. ECB policy has focused on containing inflation in the face of rising commodity prices, much the same as its American counterpart.

The eurozone got off to a sluggish start to the year, hampered by the strength of its currency against the dollar-based economies. The climate was more favourable in the second half with the euro at a more reasonable level compared with the dollar. The steady pickup that we saw towards the end of the year should continue in 2006, especially in Germany, where exports look set to continue their strong performance. This improvement in German economic activity should carry the other countries of the eurozone in its wake, particularly if the long-awaited recovery in consumer demand is in line with expectations. In equities, corporate profits, which drive the stock markets, will hopefully continue their momentum. In Europe, corporate profits are expected to rise 7% to 8%, despite fears of a firming of the euro against the dollar.

With sustained profit growth, new financial operations should underpin market advances, as was the case in 2005, which turned out to be a record year for M & A activity. Sectors to watch include IT services, retailing, food, and banking services, which expanded briskly in 2005.

Asia was the fastest growing economy, with China and India leading the way, while Japan seemed to be getting back on track.

In Asia, the year ended on a strong note for China which continued to be courted by the industrialised countries. Japan is gradually emerging from its torpor after a 15-year economic eclipse. The leading indicators and economic growth of around 2% this year, all point in this direction. Having broken out of the deflationary spiral in 2005, Japan is expected to continue its recovery in 2006: the labour market has expanded, the jobless rate has fallen, job creation in the manufacturing sector is up and consumer spending is fast catching up with exports.

According to the IMF, the newly industrialised Asian countries should grow at a rate of 4.7% in 2006, close to that of Central and Western Europe (4.6%). China's growth is showing no signs of fading and is set for a strong 2006.



Activities 2005

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

With a presence in 19 countries, the Compagnie Financière Tradition Group organises its operations around two holding companies: Tradition Service Holding (TSH), whose business primarily covers money market products, interest rate and credit derivatives, bonds, interest rate futures and index futures; and TFS, which brings together brokering activities in currency options, equity derivatives, commodities and precious metals.

The Group enjoyed strong growth in money market products and interest rate and currency derivatives, with operations in these areas up by close to 9% in 2005.

The U.S. once again heavily influenced the world economy in 2005, with oil price surging 40% on the year. American consumer spending grew strongly, leading to mounting concerns over inflation. Against this backdrop, the Federal Reserve pursued its money tightening policy, and raised interest rates by a quarter percentage point eight times during the year, lifting its key rate from 2.25% to 4.25%. This tougher monetary stance helped the dollar put on some 14% against the euro and around 20% against the yen, giving export stocks a much-needed boost. In this economic climate, Compagnie Financière Tradition posted turnover of CHF 942.4 million, up almost 11% from CHF 849.6 million in 2004.

Money market activities and interest rate and currency derivatives accounted for 51.6% of consolidated turnover, 6.6% of which was generated by currency options (up by 13% at current exchange rates).

The **United Kingdom** market is historically a core centre for the Group, and accounted for 35.9% of turnover in 2005. As a percentage of global turnover, London weighting increased during the year. In money market products and interest rate and currency derivatives, London realised over 18% of consolidated turnover. It enhanced its portfolio of traded products during the year while strengthening its positioning in securities and derivatives.

In the **United States**, the Group's activities in money market products and interest rate derivatives remained stable. U.S. activities are mainly conducted through our

New York subsidiary, Tradition (North America) Inc., and accounted for close to 29% of Group turnover in 2005, with almost 12% generated by money market products and interest rate and currency derivatives.

Our **Asia - Pacific** operations were exceptionally buoyant, with turnover rising by over 26% on the year. Asia is developing strongly, accounting for 22.5% of Group activities in 2005, up from 19.8% in the previous period. Activities in money market products and interest rate and currency derivatives accounted for 17.4% of total Group turnover. In Japan, the President of the Bank of Japan hinted that the ultra-accommodative monetary policy, which kept interest rates at zero would soon end. The country seems to be emerging from its torpor after a 15-year economic eclipse. Leading indicators and the return to economic growth in 2005 all point in this direction. The Chinese economy continued to expand, with growth hitting double-digit figures and making it the engine for regional growth in Asia.

Our presence in this part of the world provides us with plenty of opportunities for developing our business. We have several Asian subsidiaries specialising in money market products and interest rate and currency derivatives: Meitan Tradition Co. Ltd in **Tokyo**, Tradition Singapore (Pte) Ltd in **Singapore**, Tradition (Asia) Ltd in **Hong Kong** and Tradition Australia Pty Ltd in **Sydney**.

In Tokyo, Meitan Tradition Co. Ltd holds a leadership position across the full range of interest rate products, while at the same time developing its activities in credit derivatives. In Singapore, Tradition Singapore (Pte) Ltd reported a rise in turnover of over 42%. This company specialises in money market products and interest rate and currency derivatives. Tradition (Asia) Ltd, in Hong Kong, continued its expansion with turnover rising by over 23% on the year. In Sydney, Tradition Australia Pty Ltd, which began trading in 2003, reported a strong rise in turnover in 2005.

Our activities in **Continental Europe** accounted for 12.7% of total consolidated turnover, generated through desks in Brussels, Munich, Luxembourg, Paris, Lausanne and Milan specialising in money markets and short-term off-balance sheet products.

In the currency options market, Compagnie Financière Tradition joined forces with ICAP, an interdealer broker, in June 2000, to create a joint venture, TFS-ICAP, with a presence in the seven major financial centres - **London, New York, Sydney, Tokyo, Singapore, Frankfurt** and **Copenhagen**. This joint venture was completed in late 2001 by the merger with Volbroker, a trading platform owned by a banking consortium (Citigroup, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase, Royal Bank of Scotland and UBS Warburg).

This alliance between the No.1 voice broker and the No.1 electronic platform has proved very positive for all concerned, resulting in increased turnover and profits in the sector, and improvements in TFS-ICAP's margins and market share.

The Group is now a major player in the global markets for currency options, with turnover in these products growing by almost 14% in 2005.

Compagnie Financière Tradition strengthened its position in the securities and derivatives markets last year, with strong growth in these segments in the United Kingdom and Asia.

Activities in securities and derivatives, particularly equity and credit derivatives, accounted for 32.8% of consolidated turnover. Activities in equities and government and corporate bonds are conducted from **Paris**, under the Finacor brand, through our subsidiaries VIEL Tradition S.A. and Tradition Securities And Futures S.A., and from **Frankfurt**, through Tradition Wertpapierhandel GmbH, which remains one of the major players in the Jumbo-Pfandbriefe sector. VIEL Tradition S.A. is a significant player in the Paris market for government bonds. **London** strengthened its position in equities through the Tradition Securities And Futures S.A. branch, and in the corporate bond sector through its subsidiary Tradition (UK) Ltd.

In **New York**, the Group has been expanding its activities in corporate bonds and government debt through its subsidiary, Tradition (North America Inc.), and these segments accounted for a significant part of its turnover in 2005.

Compagnie Financière Tradition is also active in the European financial futures markets through its subsidiary Tradition Securities And Futures S.A. in **Paris**, which is a member, directly or through its London branch, of MONEP, EUREX and LIFFE.

The acquisition of a 35.0% stake in Ong First Tradition (Pte) Ltd in 2005 will give us an important foothold in the financial futures markets in Asia as well.

The equities and equity derivatives business was very robust in 2005, growing over 40% at current exchange rates. These encouraging results were achieved mainly on the back of strong growth in equity products in **London**.

Most of our equity derivatives business is dealt with through our subsidiary TFS in both **Europe** and the **United States**. We are also securing new business in structured products through our **London** and **Paris** desks.

With the prices of oil rising 40% in 2005, turnover in the Group's commodities segment grew by close to 27%.

In the commodities and precious metals segment, consolidated turnover rose by almost 27% in current exchange terms, buoyed by the performance of this sector in the U.S.



Activities 2005

We remain one of the world's leaders in the energy markets, through our subsidiary, TFS. In 2005, Group turnover in this segment grew almost 27%, thanks to a strong showing in the electricity sector (up 58%).

Turnover also grew strongly in the market for options on precious metals, rising over 14% in 2005, generated mostly from the **United States**, the **United Kingdom** and **Australia**.

We continued to expand our services tailored to a new clientele of private investors in forex trading and spread betting, through electronic marketplace tools developed within the Group in London, New York and Tokyo.

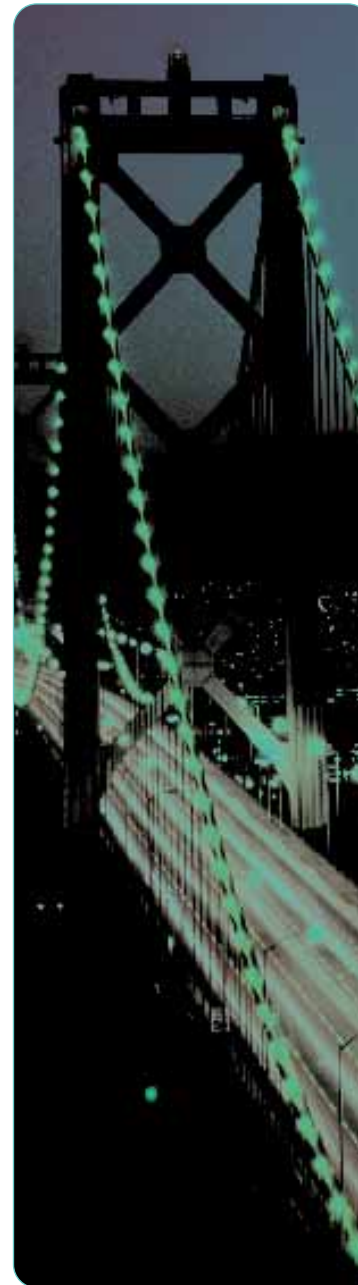
Turnover on these activities, which have a very high technological added value, soared 132% in 2005, and the segment accounted for close to 6% of total Group turnover.

Since 2002, the Group has been developing a new business segment, offering private investors access to forex trading and spread betting on the Internet. Three platforms were launched.

TradIndex.com, in the United Kingdom, is a spread betting website which pursued a solid growth path since 2003.

Gaitame.com, in Japan, offers private investors access to forex trading in the spot markets, via the Internet or I-mode. Compagnie Financière Tradition has a 40.7% controlling interest in the company, which is accounted for using the proportionate consolidation method. Its turnover surged 167% in 2005. The company is an established leader in this market segment in Japan.

Lastly, since 2003, our subsidiary FXDirectDealer LLC has been offering a similar service in the United States under the brand name FXDD.com.



The consolidated financial statements at 31 December 2005 were prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRS/IAS), and follow the recommendations issued by the International Financial Interpretation Committee and adopted by the International Accounting Standards Board (IASB). These are the Group's first full-year consolidated financial statements to apply IFRS 1. Previously, consolidated financial statements up to and including 31 December 2004 were prepared in compliance with generally accepted accounting conventions and in accordance with the accounting standards for consolidated financial reporting defined in SWISS GAAP FER. The consolidated accounts presented at 31 December 2004 were restated in accordance with these standards.

Compagnie Financière Tradition reported turnover of CHF 942.4 million in 2005, for a year on year rise of 10.9% at current exchange rates.

Consolidated turnover rose 10.9% to CHF 942.4 million against CHF 849.6 million in 2004.

On the back of buoyant activities and sustained business growth first half activities were ahead 4.2%, while performance in the second half jumped considerably, up 18.9% on H2 2004. Third quarter growth was particularly strong, up 20.7% on Q3 2004.

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

CHF 000	Currencies and interest rates		Currencies and security derivatives		Commodities and other activities		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Europe	212,551	196,755	197,345	190,296	48,082	32,372	457,978	419,423
United States	110,460	109,748	108,131	117,051	53,302	34,947	271,893	261,746
Asia - Pacific	163,510	138,854	3,518	2,517	45,496	27,081	212,524	168,452
TOTAL	486,521	445,357	308,994	309,864	146,880	94,400	942,395	849,621

Net income of CHF 2.8 million was recognised under "Other operating income", consisting primarily of a profit of CHF 3.8 million realised on the disposal of two seats on the New York Stock Exchange (NYSE) during the year. A net expense of CHF 0.9 million was recognised, representing ICAP and Volbroker's 72.5% share in the currency options business of Traditon Financial Services GmbH, a fully consolidated company. In 2004, a profit of CHF 32.2 million was recognised on the sale of Compagnie Financière Traditon's two buildings in Lausanne to its direct majority shareholder.

Operating profit rose to CHF 61.7 million in 2005, against CHF 52.6 million in the previous year, after restatement of exceptional item related to the sale of buildings in 2004. Operating profit in 2004 was CHF 84.8 million including exceptional item.

Consolidated operating profit was up strongly to CHF 61.7 million in from CHF 52.6 million in 2004 before exceptional items (CHF 84.8 million including gains on the sale of buildings). Consolidated operating profit on operational activities rose by 17.2% on the year.

The consolidated operating margin improved to 6.5% of consolidated turnover, compared with 6.2% in 2004 (before exceptionals).

Personnel costs rose to CHF 648.0 million against CHF 587.0 million in 2004, or 68.8% and 69.1% of consolidated turnover respectively. Variable remuneration was 35.4% of total remuneration for operating personnel in 2005.

The cost of telecommunications and purchasing financial information, the second biggest expense category after personnel costs, edged up to 7.7% of consolidated turnover in 2005 against 7.6% in the previous period.

Group share of consolidated net profit rose to CHF 28.5 million from CHF 23.4 million (before exceptionals) and CHF 53.7 million including net profit on the sale of buildings in 2004.

Net financial income rose strongly to CHF 10.3 million, compared with a loss of CHF 1.5 million in 2004. This financial income was comprised mainly of an amount of CHF 3.9 million related to the gains on measurement of financial assets at fair value and net exchange rate gains totalling CHF 3.0 million. Net interest income related to the reinvestment of short-term cash and interest expenses was CHF 2.1 million.

Profit before tax rose to CHF 71.9 million from CHF 50.6 million last year before exceptionals (CHF 82.8 million including gains on the sale of buildings), for profitability before tax of 7.6% against 5.9% (excluding exceptionals) in 2004. A consolidated tax expense of CHF 30.4 million was booked in 2005 (2004: CHF 24.6 million), or 42.2% of profit before tax (2004: 29.7%), including tax at a favourable rate paid on profit realised on the disposal of buildings in Lausanne.

Results 2005

After restating the tax charge on this exceptional item in 2004, the tax expense represents 44.8% of profit before tax.

Consolidated net profit was CHF 41.6 million in 2005, compared with CHF 58.2 million a year ago. After restating the consolidated net profit for exceptional item in 2004, this profit showed a year on year increase of 49.1%. Net margin reached 4.4% of consolidated turnover, compared with 3.3% in 2004 (excluding exceptionals). Minority interests rose to CHF 13.1 million from CHF 4.5 million in the previous period.

Group share of net profit declined to CHF 28.5 million from CHF 53.7 million a year earlier, for a return on consolidated shareholders' equity of 14.2% against 12.5% in 2004 (excluding exceptionals). Consolidated shareholders' equity at 31 December 2005 stood at CHF 236.8 million, CHF 214.8 million of which was Group share and after deduction of the gross value of treasury shares held by Compagnie Financière Tradition, amounting to CHF 14.0 million. This reflects the Group's very solid financial situation, with a cash position and held for trading financial assets net of financial debts of CHF 120.8 million at 31 December 2005 against CHF 130.1 million a year ago.

Compagnie Financière Tradition reported a Company profit of CHF 12.6 million.

Compagnie Financière Tradition, a pure holding company, reported a net profit of CHF 12.6 million in 2005, against CHF 32.1 million a year ago. This 2005 figure takes account of dividends received in an amount of CHF 6.4 million, other operating income of CHF 13.0 million, consisting mainly of royalties invoiced to Group companies, and an exceptional net profit of CHF 4.6 million, mainly arising on the disposal of the Company's two seats on the NYSE. Net operating expenses declined to CHF 10.8 million from CHF 13.5 million in 2004.

This result brought Company shareholders' equity to CHF 107.9 million at 31 December 2005 against CHF 127.2 million at year-end 2004.

Outlook

The market environment in 2005 was largely favourable to the Group's activities, which benefited from a slight increase in volatility on the back of successive U.S. interest rate hikes.

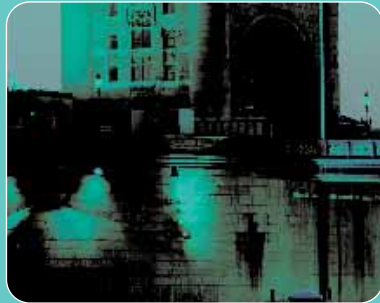
We were able to take advantage of the situation, and again achieved strong growth in business operations in 2005. As in 2004, development of business activities was underpinned by organic growth. We continued to recruit new teams and open new desks around the world, with a new office scheduled to open in Brazil early in 2006. This policy slightly eroded our operating margin in 2005.

In a highly competitive market environment and an industry where there is still plenty of growth potential, size is of major importance. We are committed to developing and expanding the global reach of the Group's activities, within a rigorous management framework which enables us to consistently generate profits and strengthen our financial base.

In 2006, we will maintain our focus on positioning Compagnie Financière Tradition as a key international player and sector leader, while improving margins through tighter cost control. We are fully aware of the vital importance of new technologies to our traditional business, and over the past few years have invested substantially in this area. The Group is now present in Tokyo, London and New York through profitable companies marketing financial and non-financial products via Internet platforms catering to private investors.

In a strongly consolidating industry, where market capitalisations have become very substantial, our emphasis is on seeking critical mass and balanced product growth, while ensuring strategic geographic spread. We will continue to focus on developing a mixed business model incorporating new technologies and traditional businesses, while working to improve margins.

Compagnie Financière Tradition will pursue its growth strategy by strengthening its fundamentals in order to build and exploit its development capabilities.



Consolidated financial statements

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Report of the Group auditors

*To the General Meeting of **Compagnie Financière Tradition, Lausanne***

As Group auditors, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes) of Compagnie Financière Tradition for the year ended December 31, 2005.

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

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

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

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

Lausanne, April 7, 2006

Ernst & Young S.A.

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

S. Durrance
Chartered accountant

Consolidated income statement 2005

CHF 000	Notes	2005	2004
Turnover	1	942,395	849,621
Other net operating income	2	2,750	31,729
OPERATING INCOME		945,145	881,350
Personnel costs		-648,049	-587,034
Other operating expenses	3	-220,376	-198,529
Amortisation and depreciation		-14,598	-14,306
Impairment losses		-439	3,355
OPERATING EXPENSES		-883,462	-796,514
OPERATING PROFIT		61,683	84,836
Net financial income	4	10,304	-1,526
Share of profit of equity accounted companies	9	-71	-552
PROFIT BEFORE TAX		71,916	82,758
Income tax	5	-30,354	-24,592
NET PROFIT FOR THE YEAR		41,562	58,166
Minority interests		-13,096	-4,466
NET PROFIT FOR THE YEAR - GROUP SHARE		28,466	53,700
Earnings per share for the year (in CHF):	6		
Basic earnings per share		5.33	10.09
Diluted earnings per share		5.14	9.74

Consolidated balance sheet at 31 December 2005

ASSETS	Notes	2005	2004
<i>CHF 000</i>			
Tangible fixed assets	7	36,540	32,871
Intangible fixed assets	8	30,689	29,598
Investments in associates	9	1,008	1,004
Financial assets at fair value	10	8,137	6,101
Other financial assets	11	12,828	6,979
Deferred tax assets	5	13,945	11,421
Unavailable cash	31	12,301	11,838
TOTAL NON-CURRENT ASSETS		115,448	99,812
Prepayments and accrued income	23	14,779	10,475
Receivables related to matched principal activities		268,439	112,789
Receivables related to account holder activities	15	450,603	184,938
Derivative financial instruments	30	36	451
Tax receivable	22	4,180	4,326
Trade and other receivables	16	198,333	150,361
Financial assets at fair value	17	9,770	4,765
Cash and cash equivalents	18	201,412	182,975
TOTAL CURRENT ASSETS		1,147,552	651,080
Non-current assets held for sale	14	4,743	-
TOTAL ASSETS		1,267,743	750,892

Consolidated balance sheet at 31 December 2005

LIABILITIES

CHF 000

	Notes	2005	2004
Capital		13,671	13,624
Share premium		20,487	20,337
Treasury shares		-13,954	-15,418
Currency translation		5,532	-10,207
Consolidated reserves	26	189,046	192,439
TOTAL SHAREHOLDERS' EQUITY - GROUP SHARE		214,782	200,775
Minority interests		21,998	10,744
TOTAL SHAREHOLDERS' EQUITY		236,780	211,519
Long-term financial debts	19	13,065	3,300
Provisions	20	16,176	19,143
Deferred tax liabilities	5	709	213
TOTAL NON-CURRENT LIABILITIES		29,950	22,656
Short-term financial debts	19	89,625	66,142
Trade and other payables	21	65,012	57,491
Tax liabilities	22	20,547	15,096
Derivative financial instruments	30	222	87
Payables related to account holder activities	15	448,386	184,196
Payables related to matched principal activities		268,658	99,251
Accruals and deferred income	23	108,287	94,454
TOTAL CURRENT LIABILITIES		1,000,737	516,717
Liabilities directly related to non-current assets held for sale	14	276	-
TOTAL LIABILITIES		1,267,743	750,892

Consolidated cash flow statement

CHF 000	2005	2004
Cash flows from operating activities		
Profit before income tax	71,916	82,758
Amortisation and depreciation	14,598	14,306
Impairment losses	439	-3,355
Net financial income/(expenses)	-10,304	1,526
Profit/loss of equity accounted companies	71	552
Increase/decrease in provisions	552	4,304
Expenses related to share-based payments	356	1,789
Gains/losses on disposal of fixed assets	-3,622	-32,213
Increase/decrease in working capital	-25,384	-9,267
Interest paid	-3,943	-2,668
Interest received	5,560	3,972
Taxes paid	-26,293	-27,553
Net cash flows from operating activities	23,946	34,151
Cash flows from investing activities		
Acquisition of financial assets	-3,240	-7,529
Proceeds from sale of financial assets	-	791
Acquisition of treasury shares	-671	-10,904
Proceeds from sale of treasury shares	2,108	2,997
Acquisition of subsidiaries, net of cash acquired	3,000	-13,444
Purchase of tangible fixed assets	-12,708	-15,312
Proceeds from disposal of tangible fixed assets	1,694	35,000
Purchase of intangible fixed assets	-4,668	-4,408
Proceeds from disposal of intangible fixed assets	6,242	39
Other investment income	1,249	94
Dividends received	174	310
Increase/decrease in unavailable cash	-249	3,137
Net cash flows from investing activities	-7,069	-9,229
Cash flows from financing activities		
Increase/decrease in short-term financial debts	22,912	-11,477
Increase/decrease in long-term financial debts	6,566	-1,545
Increase in capital and share premium	224	435
Dividends paid to minority interests	-9,263	-4,645
Dividends paid to shareholders of the parent company	-32,068	-26,560
Net cash flows from financing activities	-11,629	-43,792
Exchange rate variation	13,591	-8,419
Increase/decrease in cash and cash equivalents	18,839	-27,289
Cash and cash equivalents at beginning of year	182,299	209,588
Cash and cash equivalents at end of year (Note 18)	201,138	182,299

Consolidated statement of changes in shareholders' equity

CHF 000 except number of shares	No. of shares	Capital	Share premium	Treasury shares	Currency translation	Consolidated reserves	Total - Group share	Minority interests	TOTAL
SHAREHOLDERS' EQUITY AT 1 JANUARY 2004	5,401,369	13,503	19,879	-7,367	-	160,525	186,540	20,924	207,464
Capital increase	48,400	121	314	-	-	-	435	-	435
Acquisition of treasury shares	-	-	-	-10,904	-	-	-10,904	-	-10,904
Disposal of treasury shares	-	-	144	2,853	-	-	2,997	-	2,997
Dividends paid	-	-	-	-	-	-26,560	-26,560	-4,645	-31,205
Effect of changes in the basis of consolidation	-	-	-	-	-	-	-	-9,427	-9,427
Impact of recognition of share options	-	-	-	-	-	1,789	1,789	-	1,789
Currency translation differences	-	-	-	-	-10,207	2,985	-7,222	-574	-7,796
Net profit for the year	-	-	-	-	-	53,700	53,700	4,466	58,166
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2004	5,449,769	13,624	20,337	-15,418	-10,207	192,439	200,775	10,744	211,519
Capital increase	18,588	47	177	-	-	-	224	-	224
Acquisition of treasury shares	-	-	-	-671	-	-	-671	-	-671
Disposal of treasury shares	-	-	-27	2,135	-	-	2,108	-	2,108
Dividends paid	-	-	-	-	-	-32,068	-32,068	-9,263	-41,331
Effect of changes in the basis of consolidation	-	-	-	-	147	-147	-	6,160	6,160
Impact of recognition of share options	-	-	-	-	-	356	356	-	356
Currency translation differences	-	-	-	-	15,592	-	15,592	1,261	16,853
Net profit for the year	-	-	-	-	-	28,466	28,466	13,096	41,562
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2005	5,468,357	13,671	20,487	-13,954	5,532	189,046	214,782	21,998	236,780

Notes to the consolidated financial statements

General

Compagnie Financière Tradition is a public limited company with its registered office at 11 rue de Langallerie, 1003 Lausanne. With a presence in 19 countries, the Compagnie Financière Tradition Group is one of the world's leading interdealer brokers of financial products (money market products, bonds, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and commodity-related products (precious metals, and energy and environmental products). Its shares are listed on the SWX Swiss Exchange and on the Third Market Segment of the Frankfurt Stock Exchange.

The Company is owned 67.43% by VIEL & Cie.

Publication of the consolidated financial statements for the year ended 31 December 2005 was approved by the Board of Directors on 7 March 2006.

Main accounting conventions

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and International Accounting Standards ("IFRS"). The Group's first consolidated financial statements to apply IFRS 1 are those for the year ended 31 December 2005. The Group's consolidated financial statements up to and including 30 June 2005 were prepared under SWISS GAAP FER, in accordance with the SWX Swiss Exchange listing rules. The impact on 1 January 2004 that the transition to IFRS has had on the Group's financial situation and results is explained on Note 36.

Pursuant to the SWX Swiss Exchange Communiqué No. 2/2003 of 10 February 2003, and in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards", the consolidated accounts for the financial year ended 31 December 2005 have been prepared on the basis of the International Financial Reporting Standards in effect at that date, with comparative accounts for the 2004 financial year prepared according to the same standards.

Compagnie Financière Tradition has identified the differences between the new standards and current practice in effect within the Group, in terms both of accounting principles and valuations, and information. The key differences between the two are described below.

- **Presentation of the financial statements and notes (IAS 1):** the IFRS provide for a significant amount of information to be given in the notes, including more detailed segmental information than that provided by Compagnie Financière Tradition in 2004. Compagnie Financière Tradition is reporting the geographical areas of its business operations as the primary segment and the nature of the product groups as the secondary segment. The presentation of the income statement (formerly the profit and loss account) is different, and goodwill amortisation and depreciation charges are eliminated. Any identified goodwill impairment is recognised in the operating results. The presentation of the balance sheet has also changed, with a more marked distinction between short-term and long-term items.
- **Business combinations (IFRS 3 and IAS 36):** Compagnie Financière Tradition has elected not to restate acquisitions that were made prior to 1 January 2004. However, under IFRS 3 the Group will no longer amortise goodwill. Goodwill recognised by the Group is presently amortised on a straight-line basis over a period of 10 years. From now on, it will be tested for impairment annually at its market value, which is estimated using discounted cash flow projections. Application of IFRS also requires to report goodwill arising on acquired business assets.
- **Classification and estimation of portfolio securities (IAS 39):** the classification of portfolio securities has been changed under IAS 39, which was applied for the first time in the accounts at 1 January 2004. Securities previously carried under marketable securities or equity investments are classified under one of the following three headings:
 - financial assets at fair value through profit or loss. These are financial assets held for trading (HFT) and financial assets designated as at fair value through profit and loss. Marketable securities recognised in the accounts at 31 December 2004 under SWISS GAAP FER are classified in this category under IFRS, while equity investments in IFX Group plc, acquired in 2004, were designated as at fair value through profit or loss.
 - held-to-maturity investments (HTM) These are non-derivative financial assets with fixed payments and maturities, that the Group has the intention and ability to hold to maturity.
 - available-for-sale financial assets (AFS). These are financial assets held for an indefinite period and which the Group may decide to sell at any time.
- **Finance leases (IAS 17):** under IFRS, leases that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases and are now treated as tangible fixed assets acquired by the company. Leasing costs have therefore been restated.
- **Consolidated cash flow statement (IAS 7):** when preparing the consolidated cash flow statement under IFRS, "Cash and cash equivalents" include short-term money market investments, and is reduced only by bank overdrafts repayable on demand.
- **Share-based payments (IFRS 2):** Compagnie Financière Tradition has elected not to restate share options granted to Group employees prior to 7 November 2002.
- **Employee benefits (IAS 19):** accumulated actuarial gains and losses for defined benefit pension plans have been recognised in the balance sheet at the date of transition to IFRS.
- Compagnie Financière Tradition has elected to reset currency translation included in consolidated shareholders' equity to zero at 1 January 2004. Adoption of this option has resulted in the Group reclassifying cumulative currency translation from "Currency translation" to "Consolidated reserves" in consolidated shareholders' equity at 1 January 2004. This reclassification had no impact on total shareholders' equity at that date.

Notes to the consolidated financial statements

The consolidated accounts are prepared in thousands of Swiss francs except where expressly stated otherwise; the Swiss franc is Compagnie Financière Tradition's functional currency and presentation currency. They have been prepared under the historical cost convention, with the exception of assets and liabilities held for trading, assets and liabilities designated as at fair value through the profit and loss, and derivative financial instruments recognised at fair value.

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 35.

Consolidation methods

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

The financial statements of jointly controlled companies (joint ventures) are consolidated using the proportionate consolidation method. The consolidated balance sheet and income statement combines, on a line-by-line basis, Compagnie Financière Tradition's portion of equity in each of the jointly controlled entities from the date on which it obtains control until the date on which control ceases.

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 results of associates.

Elimination of intragroup transactions

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

Foreign currency translation

The Group's consolidated financial statements are presented in Swiss francs. Foreign currency transactions are translated into the functional currency of each entity of the Group using the exchange rate prevailing at

the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Translation differences resulting from such transactions are recognised under financial results 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. Non-monetary assets and liabilities denominated in foreign currencies and recognised at fair value are translated at the exchange rate prevailing at the date on which fair value was determined.

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

Translation differences resulting from exchange rate fluctuations between years, applied to the net position of foreign subsidiaries denominated in foreign currencies, and differences between the average exchange rate during the year and the exchange rate applied to the results of subsidiaries, are charged directly to equity, under "Currency translation".

An analysis of the main closing and average exchange rates used for the 2005 and 2004 financial years is shown in Note 34.

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 predominantly 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, and which have similar overall risk and profitability profiles, are Europe, the United States and the Asia - Pacific region. The Group's activities in Africa and Latin America have been grouped under Europe and the United States respectively, since their operations are supervised by the management of these regions and their individual weight is not significant (less than 1% of Group revenues).

Notes to the consolidated financial statements

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 as well as remuneration and other operating expenses. However, the distribution of consolidated revenues by destination - i.e. the geographical location of customers - does not differ substantially from revenue distribution by geographical location.

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

Revenues, 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 to the Group's holding companies' operations, which are presented separately as unallocated items. The segment assets mainly comprise customer receivables, accruals and deferred items, tangible and intangible fixed assets, and goodwill attributable to a business segment. Segment liabilities mainly include accruals and deferred income, and short-term debts.

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

Financial risk management

Compagnie Financière Tradition is an interdealer broker in the financial and

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

There is some exposure to interest rate risk, mainly due to the Group's financial debt structure, but the risk is very marginal since 100% of the debt is at variable interest rate. Financial debt commitments within the Group must be approved by the Executive Board. Exposure to exchange rate risk on financial debts is disclosed in Note 19.

Because of its international standing, the Group is exposed to currency risk, which is analysed as an overall risk and its management is carried out under policies approved by the Executive Board. Group policy for hedging currency risk is not part of a long-term hedging policy, but is dealt with on a timely basis depending on economic trends and conditions. Exposure to exchange rate risk is reflected in the segment disclosure (Note 1).

Policy on liquidity risk 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.

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

Turnover

Turnover consists of brokerage revenues and commissions from broking activities conducted by the Group's operating subsidiaries with third parties. For transactions in which 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 is 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. This item also includes exchange rate gains and losses on financial assets and liabilities.

Notes to the consolidated financial statements

Income tax

Taxation comprises both current and deferred income tax. The tax effect of items directly recognised in consolidated equity is charged or credited to consolidated shareholders' equity.

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

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

Cash and cash equivalents

Cash flow 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 short-term government securities or 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 under balance sheet liabilities.

Bank overdrafts repayable on demand included in cash and cash equivalents in the cash flow statement.

Financial assets

Financial assets are classified in three separate categories:

- financial assets at fair value through profit or loss. These are financial assets held for trading (HFT) and financial assets designated as at fair value through profit or loss. They are carried at fair value and revaluation differences are recognised in the income statement for the period.
- held-to-maturity financial assets (HTM). These are non-derivative financial assets with fixed payments and maturity, held by the Group until maturity. They are carried at amortised cost including premiums and discounts, and other items such as acquisition costs.
- available-for-sale assets (AFS). Assets available for sale are carried at fair value. By way of exception, financial instruments for which quoted market prices are not available and for which the fair value cannot be reliably established, are held at cost, which includes transaction costs after deduction of any impairment losses.

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

Trade and other receivables

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

Derivative financial instruments

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

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

Account holder activities

Some Group companies act as account depositaries, 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, forex trading and spread betting, some Group companies receive deposits from customers, which they in turn deposit with their clearing banks. Receivables and payables linked to these activities are recognised at fair value at their inception.

Matched principal activities

Some Group companies act as principal in the simultaneous purchase and sale of securities for the account of third parties.

Notes to the consolidated financial statements

Such trades are completed when both sides of the deal are settled, once payment is made and the securities are delivered (matched trades).

In order to reflect the substance of these transactions, they are recognised at the time of delivery. Counterparty receivables and payables arising on outstanding transactions which have gone beyond the expected settlement date are shown gross as separate items on both sides of the balance sheet, in specific accounts. Counterparty receivables and payables in respect of matched principal transactions expected to be settled in the normal course of trading are presented off balance sheet in Note 30. Receivables and payables in connection with matched principal activities are recognised at fair value.

Prepayments and accrued income

Prepayments and accrued income include prepayments credited to the following financial year, as well as income relating to the current period that will only be paid at a later date.

Tangible fixed assets

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

- Fixtures and fittings:	5 to 10 years,
- Computing and telephone 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.

Leases

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

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the Group.

Fixed assets acquired under finance leases are recognised on the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum rents payable at the start of the lease. They are amortised over the shorter of the life 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 life of the lease.

Treasury shares

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

Goodwill

Goodwill arising on the acquisition of companies represents the excess of the cost of an acquisition over the fair value of its identifiable net assets.

Goodwill is allocated to cash-generating units and since 1 January 2004 is no longer amortised, but is tested annually for impairment. The value in use is estimated using discounted cash flow projections. Goodwill identified on associates is included in the carrying amount of the investment in these companies.

Negative goodwill arising from an acquisition is recognised directly in the income statement.

Intangible fixed assets

Intangible fixed assets are stated on the balance sheet at cost less accumulated depreciation and any impairment losses.

Amortisation is accounted for on a straight-line basis over the estimated useful life, except where this is indefinite. Intangible fixed assets with indefinite useful lives are reviewed for impairment annually. Estimated useful lives are as follows:

- Telephone rights:	5 years,
- Software:	3 to 5 years,
- Other intangible fixed assets:	3 to 5 years.

Notes to the consolidated financial statements

Impairment of assets

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

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

An impairment loss is recognised in the income statement when the carrying amount of an asset or its cash-generating unit is greater than its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and its value in use.

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

Financial debts

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

Short-term financial debts are payable or renewable within one year.

Trade and other payables

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

Accruals and deferred income

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

Provisions

A provision is recognised as a liability on the balance sheet when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

If the time value of money is material, the amount of the provision is measured at the present value of the expected expenditure required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money.

Pension obligations

The Group operates both defined benefit and defined contribution plans depending on the countries in which it is established and in accordance with local retirement benefit regulations.

Defined contribution plans are plans under which employees and Group companies pay contributions to an entity authorised to manage retirement funds. Payments by Group companies are recognised in the income statement in the period in which they are due.

The Group's obligations in respect of defined benefit plans are derived each year from independent actuarial valuations using the projected unit credit method. The actuarial assumptions used to determine obligations vary depending on the country in which the plan operates.

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

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

Share-based payments

Share options are granted to members of the Executive Board entitling them to receive shares at the end of the exercise period. The granting of options and conditions for employee participation are defined by the Board of Directors.

Notes to the consolidated financial statements

When options are exercised, new shares are created by using conditional capital (see Note 25 - Conditional capital).

The fair value of options granted is recognised as a personnel cost with a corresponding increase in shareholders' equity. Fair value is determined at the time of granting the options and amortised over the period in which the rights were acquired. It is determined using the binomial valuation method 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 shareholders' equity.

Contingent assets and liabilities

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

Post-balance sheet events

Post-balance sheet events 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 provide evidence of conditions that existed at the balance sheet date. Material events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are presented in the notes to the financial statements.

New standards and interpretation

During the year, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published the following standards and interpretations which entered into effect after the date of these consolidated financial statements:

International standards (IFRS) / Effective date

IFRS 1 -	Amendments to IFRS 6	1 January 2006
IFRS 4 -	Insurance contracts (Amendments to IAS 39 and IFRS 4 - Financial Guarantee Contracts)	1 January 2006
IFRS 6 -	Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 6 -	Amendments to IFRS 6	1 January 2006
IFRS 7 -	Financial instruments: Disclosures	1 January 2007
IAS 1 -	Amendments - Presentation of Financial Statements: Disclosure - Capital	1 January 2007
IAS 19 -	Amendments - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 39 -	Fair Value Option	1 January 2006
IAS 39 -	Amendments to IAS 39 - Transition and Initial Recognition of Financial Assets and Financial Liabilities	1 January 2006
IAS 39 -	Cash Flow Hedge Accounting	1 January 2006
IAS 39 -	Amendments to IAS 39 and IFRS 4 - Financial Guarantee Contracts	1 January 2006

International Financial Reporting Interpretations Committee (IFRIC) / Effective date

IFRIC 4 -	Determining Whether an Arrangement Contains a Lease	1 January 2006
IFRIC 5 -	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006

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

Following the adoption of IFRS 7, the Group will have to disclose additional information concerning its financial instruments, their significance and the nature and extent of the risks generated. In other words, it will have to disclose the fair value of its financial instruments as well as details concerning its risk exposure. This will not impact published results and net assets.

Notes to the consolidated financial statements

1. Segment reporting

Disclosure by geographical segment

CHF 000	Europe		United States		Asia - Pacific		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004
Turnover	457,978	419,423	271,893	261,746	212,524	168,452	942,395	849,621
Operating expenses ⁽¹⁾	-442,746	-399,253	-249,587	-230,726	-179,586	-152,764	-871,919	-782,743
Segment operating profit	15,232	20,170	22,306	31,020	32,938	15,688	70,476	66,878
Unallocated expenses ⁽²⁾							-8,793	17,958
Operating profit							61,683	84,836
Profit of equity accounted companies	-71	-258	-16	-294	16	-	-71	-552
Net financial income							10,304	-1,526
Income tax							-30,354	-24,592
Net profit							41,562	58,166
Minority interests							-13,096	-4,466
Net profit - Group share							28,466	53,700
Segment assets	547,189	395,392	328,747	155,440	341,518	149,240	1,217,454	700,072
Investments in associates	417	483	575	521	16	-	1,008	1,004
Unallocated assets ⁽³⁾							49,281	49,816
Total assets							1,267,743	750,892
Segment liabilities	412,466	263,952	260,718	102,402	260,045	105,544	933,229	471,898
Unallocated liabilities ⁽⁴⁾							97,734	67,475
Total liabilities							1,030,963	539,373
Costs incurred for acquisition of segment assets:								
Tangible fixed assets	6,551	11,160	3,505	2,575	5,412	1,805	15,468	15,540
Intangible fixed assets	1,631	2,802	560	37	958	292	3,149	3,131
Depreciation of tangible fixed assets	-7,667	-7,207	-2,129	-1,620	-2,686	-2,071	-12,482	-10,898
Amortisation of intangible fixed assets	-1,105	-2,157	-433	-522	-388	-514	-1,926	-3,193
Impairment losses	-	3,355	-439	-	-	-	-439	3,355
Other depreciation and amortisation	1,991	-3,841	-32	-	-408	-117	1,551	-3,958

- (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	
	2005	2004	2005	2004	2005	2004	2005	2004
Turnover	486,521	445,357	308,994	309,864	146,880	94,400	942,395	849,621
Segment assets	628,523	366,966	399,181	255,322	189,750	77,784	1,217,454	700,072
Investments in associates	417	483	575	510	16	11	1,008	1,004
Unallocated assets ⁽³⁾							49,281	49,816
Total assets							1,267,743	750,892
Costs incurred for acquisition of segment assets:								
Tangible fixed assets	7,986	8,146	5,072	5,667	2,410	1,727	15,468	15,540
Intangible fixed assets	1,626	1,641	1,032	1,142	491	348	3,149	3,131

Europe mainly consists of the Group's activities in London in sterling. In the U.S., business activities are mostly developed from New York in dollars, and in the Asia - Pacific region from Tokyo in yen.

2. Other net operating income

An analysis of other operating income is shown below:

CHF 000	2005	2004
Net gains on disposal of fixed assets	3,622	32,213
Net expenses related to the TFS-ICAP joint venture	-872	-603
Other operating income	-	119
TOTAL	2,750	31,729

A profit of CHF 3,794,000 was recognised on the disposal of Compagnie Financière Tradition's two seats on the New York Stock Exchange (NYSE) in June 2005. These were sold for CHF 6,240,000, compared with a net carrying amount of CHF 2,446,000.

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

Notes to the consolidated financial statements

In 2004, a profit of CHF 32,213,000 was recognised on the sale of Compagnie Financière Tradition's two buildings in Lausanne to its direct majority shareholder, for a consideration of CHF 35,000,000, compared with a net carrying amount of CHF 2,787,000. The sale price was determined on the basis of an independent valuation.

3. Other operating expenses

CHF 000	2005	2004
Telecoms and financial information	-72,661	-64,633
Travel and representation	-57,426	-49,024
Rental buildings	-20,744	-17,801
Other operating expenses	-69,545	-67,071
TOTAL	-220,376	-198,529

4. Net financial income

An analysis of net financial income is shown below:

CHF 000	2005	2004
FINANCIAL INCOME		
Interest income	5,900	3,775
Income from equity investments	163	22
Gains on financial assets	3,916	1
Exchange rate gains	6,132	2,997
Other financial income	1,551	431
	17,662	7,226
FINANCIAL EXPENSES		
Interest expenses	-3,826	-2,549
Losses on financial assets	-	-625
Exchange rate losses	-3,092	-5,158
Financial expenses on assets under finance leases	-138	-83
Other financial expenses	-302	-337
	-7,358	-8,752
NET FINANCIAL INCOME	10,304	-1,526

Gains on financial assets mainly include the impact of fair value measurement of financial assets.

5. Income tax

An analysis of the tax charge is shown below:

CHF 000	2005	2004
CURRENT TAX		
Current tax for the year	31,666	28,966
Current tax relating to previous years	224	-859
	31,890	28,107
DEFERRED TAX		
Movements in deferred tax rate	-	-
Creation and reversal of temporary differences	-197	-3,446
Tax losses not previously recognised	-1,339	-69
	-1,536	-3,515
INCOME TAX	30,354	24,592

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

CHF 000	2005	2004
Tangible fixed assets	-455	-1,292
Intangible fixed assets	5	-51
Provisions	66	-873
Tax losses carried forward	-1,339	-69
Other	187	-1,230
DEFERRED TAX CHARGE	-1,536	-3,515

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

	Effect on tax rate (%)	Effect on the tax charge CHF 000	Effect on tax rate (%)	Effect on the tax charge CHF 000
	2005		2004	
STANDARD TAX RATE	34.0%	24,423	24.4%	20,199
Tax effect of the following items:				
Use of unadjusted tax loss carry forwards	-1.2%	-871	-1.8%	-1,463
Unadjusted tax loss for the year	4.5%	3,226	4.4%	3,691
Adjusted tax loss from previous years	-1.9%	-1,340	-1.4%	-1,185
Tax expense charged to minority interests for fiscally transparent companies fully consolidated	-2.7%	-1,908	-1.2%	-980
Deferred tax charge	-2.1%	-1,536	-4.2%	-3,515
Non-taxable revenues	-0.6%	-423	-1.2%	-1,009
Non-deductible expenses	11.6%	8,331	12.9%	10,706
Other	0.6%	452	-2.2%	-1,852
GROUP'S EFFECTIVE TAX RATE	42.2%	30,354	29.7%	24,592

Notes to the consolidated financial statements

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.

In 2004, Compagnie Financière Tradition sold two buildings in Lausanne and benefited from a tax rate of about 7%. Excluding this item, the Group's standard and effective tax rates would be 35.5% and 44.8% respectively.

An analysis of deferred tax by balance sheet category is shown below:

CHF 000	2005	2004
DEFERRED TAX ASSETS		
Tangible fixed assets	2,138	1,492
Intangible fixed assets	254	148
Provisions	2,787	2,821
Tax losses carried forward	4,768	3,234
Other	3,998	3,726
	13,945	11,421
DEFERRED TAX LIABILITIES		
Tangible fixed assets	230	191
Intangible fixed assets	41	22
Provisions	-	-
Other	438	-
	709	213
TOTAL NET DEFERRED TAX	13,236	11,208
Stated on the balance sheet as follows:		
Deferred tax assets	13,945	11,421
Deferred tax liabilities	709	213

At 31 December 2005, tax losses carried forward, which by reason of prudence were not reported on the consolidated balance sheet, represented an amount of CHF 12,462,000, which could reduce the Group's future consolidated tax charge.

6. Earnings per share

Basis earnings per share are calculated by dividing the Group share of net profit by the weighted average number of shares outstanding during the year, less the average number of shares held by the Group as treasury shares.

Diluted earnings per share are calculated by dividing the Group share of net profit (numerator) by the weighted average number of shares outstanding

during the year (the denominator), including the weighted average number of shares which would be created in connection with the exercise of dilutive instruments, less treasury shares.

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

CHF	2005	2004
Net profit - Group share	28,466,000	53,700,000
Weighted average number of shares outstanding	5,342,622	5,320,830
BASIC EARNINGS PER SHARE	5.33	10.09
CHF	2005	2004
Net profit - Group share	28,466,000	53,700,000
Weighted average number of shares outstanding	5,342,622	5,320,830
Adjustment for dilutive effect of share options	199,203	191,967
Weighted average number of shares included for the diluted earnings per share	5,541,825	5,512,797
DILUTED EARNINGS PER SHARE	5.14	9.74

7. Tangible fixed assets

CHF 000	Fixtures and fittings	Computing and telephone	Other tangible fixed assets	TOTAL 2005	TOTAL 2004
GROSS VALUE AT 1 JANUARY	34,370	53,525	3,987	91,882	93,369
Changes in basis of consolidation	271	1,065	82	1,418	555
Acquisitions during the year	3,304	11,514	1,053	15,871	15,733
Disposals - write-offs	-3,758	-6,378	-1,374	-11,510	-15,650
Reclassifications	-410	554	295	439	543
Currency translation	2,005	2,609	162	4,776	-2,668
GROSS VALUE AT 31 DECEMBER	35,782	62,889	4,205	102,876	91,882
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 1 JANUARY	-20,347	-36,181	-2,483	-59,011	-61,807
Changes in basis of consolidation	-100	-536	-288	-924	-8
Depreciation for the year	-4,046	-8,047	-537	-12,630	-11,113
Disposals - write-offs	2,141	6,229	1,280	9,650	12,622
Reclassifications	42	-708	180	-486	-199
Currency translation	-1,286	-1,558	-91	-2,935	1,494
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER	-23,596	-40,801	-1,939	-66,336	-59,011
NET VALUE AT 31 DECEMBER	12,186	22,088	2,266	36,540	32,871
Of which assets under finance lease	195	2,804	362	3,361	1,369

Notes to the consolidated financial statements

Depreciation of CHF 12,630,000 (2004: CHF 11,113,000) on tangible fixed assets is reported under "Amortisation and depreciation" in the income statement.

8. Intangible fixed assets

CHF 000	Business assets	Telephone rights	Goodwill	Other intang. fixed assets	TOTAL 2005	TOTAL 2004
GROSS VALUE AT 1 JANUARY	1,722	1,797	24,121	17,708	45,348	40,685
Changes in basis of consolidation	-	-	-	19	19	139
Acquisitions during the year	498	2	1,267	4,168	5,935	7,277
Disposals - write-offs	-	-2	-	-7,576	-7,578	-1,714
Reclassifications	-111	-	-	-320	-431	-137
Currency translation	125	19	72	519	735	-902
GROSS VALUE AT 31 DECEMBER	2,234	1,816	25,460	14,518	44,028	45,348
ACCUMULATED AMORTISATION AND IMPAIRMENT AT 1 JANUARY	-1,132	-1,783	-	-12,835	-15,750	-14,484
Changes in basis of consolidation	-	-	-	-5	-5	1
Impairment losses for the year	-	-	-439	-	-439	-
Amortisation for the year	-	-	-	-1,968	-1,968	-3,193
Disposals - write-offs	-	2	-	5,048	5,050	1,675
Reclassifications	-	-	-	180	180	-161
Currency translation	-44	-19	-	-344	-407	412
ACCUMULATED AMORTISATION AND IMPAIRMENT AT 31 DECEMBER	-1,176	-1,800	-439	-9,924	-13,339	-15,750
NET VALUE AT 31 DECEMBER	1,058	16	25,021	4,594	30,689	29,598
Of which assets under finance lease	-	-	-	-	-	16

Amortisation of CHF 1,968,000 (2004: CHF 3,193,000) on intangible fixed assets is reported under "Amortisation and depreciation" in the income statement.

Impairment of CHF 439,000 (2004: nil) is reported under "Impairment losses" in the income statement.

In 2005, Compagnie Financière Tradition, through its subsidiaries, disposed of its seats on the New York Stock Exchange (NYSE). These seats are carried on the balance sheet under "Other intangible fixed assets", in the amount of CHF 2,446,000. The proceeds of the sale are reported under "Other net operating income" (Note 2).

An analysis of goodwill at 31 December 2005 is shown below:

CHF 000	Gross value	Impairment	Net value	Net value
				2004
				2005
Finacor Deutschland GmbH	2,489	-	2,489	2,489
Tradition Wertpapierhandel GmbH	2,763	-	2,763	2,763
Ong First Tradition (Pte) Ltd	860	-	860	-
S.P. Angel & Co. Ltd	774	-	774	748
StreamingEdge.com Inc.	439	-439	-	439
TFS	18,135	-	18,135	17,682
TOTAL	25,460	-439	25,021	24,121
Govdesk LLC	343	-	343	296
TOTAL	25,803	-439	25,364	24,417

The 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 the activities relating to each item of goodwill. Based on a 5-year business plan, the normalised cash flow is discounted to determine the value of the activity underlying the goodwill. The discount rates for measuring these valuations varied between 7.5% and 9.8%, in order to reflect the risk present in each of the markets. These rates also include an additional risk premium because of the sensitivity of this assumption in the discounting of future cash flows.

Growth rates of 3.0% to 5.0% were used to estimate cash flow projection beyond the period covered by operating forecasts, based on past experience and 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
Finacor Deutschland GmbH	8.8%	3.0%
Tradition Wertpapierhandel GmbH	8.8%	3.0%
Ong First Tradition (Pte) Ltd	8.6%	5.0%
S.P. Angel & Co. Ltd	9.3%	5.0%
TFS	7.5%	5.0%
Govdesk LLC	9.8%	3.0%

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

Notes to the consolidated financial statements

The valuations obtained using this method led to the recognition of goodwill impairment on the balance sheet at 31 December 2005, in respect of StreamingEdge.com Inc.

9. Investments in associates

This item covers the share of Compagnie Financière Tradition's associates accounted for using the equity method. Details of equity accounted companies are given in Note 35. These companies do not have quoted market prices. An analysis of the share of results and net carrying amount of equity accounted companies is shown below:

CHF 000	2005	2004
SHARE IN RESULTS		
Govdesk LLC	-16	-294
Fincor SGPS	-71	-258
Energy Curves LLC	-	-
RG Asset Management (Pte) Ltd	16	-
TOTAL	-71	-552
CHF 000	2005	2004
SHARE IN NET ASSETS		
Govdesk LLC	575	510
Fincor SGPS	417	483
Energy Curves LLC	-	11
RG Asset Management (Pte) Ltd	16	-
TOTAL	1,008	1,004

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

CHF 000	2005			2004		
	Assets	Liabilities	Shareholders' equity	Assets	Liabilities	Shareholders' equity
Govdesk LLC	956	294	662	678	68	610
Fincor SGPS	27,061	24,978	2,083	15,032	12,616	2,416
Energy Curves LLC	-	-	-	45	-	45
RG Asset Management (Pte) Ltd	785	730	55	-	-	-
	28,802	26,002	2,800	15,755	12,684	3,071

Interests in associates included goodwill of CHF 343,000 at 31 December 2005 (CHF 296,000 at 31 December 2004).

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

CHF 000	2005		2004	
	Turnover	Net results	Turnover	Net results
Govdesk LLC	2,380	-46	2,759	-840
Fincor SGPS	5,587	-354	5,707	-1,289
Energy Curves LLC	-	-	-	-
RG Asset Management (Pte) Ltd	598	52	-	-
	8,565	-348	8,466	-2,129

Changes in equity accounted companies:

CHF 000	2005	2004
OPENING BALANCE	1,004	1,887
Acquisition and capital increase	-	-
Net results for the year	-71	-552
Dividends paid	-11	-310
Disposals	-	-
Currency translation	86	-21
CLOSING BALANCE	1,008	1,004

10. Financial assets at fair value

CHF 000	2005	2004
IFX Group plc	8,137	6,101
TOTAL	8,137	6,101

The stake in IFX Group plc has been pledged as collateral for bank loans (Note 19).

The fair value measurement of this interest was determined on the basis of the company's quoted share price of GBP 1.27 on 30 December 2005 (last trading day of the year). In 2005, the impact of the fair value measurement of financial assets resulted in the recognition of income of CHF 2,036,000, carried under "Financial income" (Note 4).

11. Other financial assets

CHF 000	2005	2004
Loans to employees - non-current	6,927	-
Other financial assets	5,901	6,979
TOTAL	12,828	6,979

Loans to employees bear interest at 1.5% and have an average maturity of 25 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 5,901,000 at 31 December 2005 (CHF 6,979,000 at 31 December 2004), are secured by a promise to pay granted by VIEL et Compagnie Finance, Compagnie Financière Tradition's ultimate shareholder.

Notes to the consolidated financial statements

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.

12. Share in joint ventures

Details of jointly controlled companies consolidated using the proportionate consolidation method are set out in the table in Note 35. In addition, 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 book 25% of the assets, liabilities, revenues and expenses related to broking activities in currency options. Moreover, following finalisation of the joint venture in Copenhagen between these partners in 2005, Tradition Financial Services Ltd. books 27.5% of the revenues and expenses.

The joint venture in Frankfurt between TFS, ICAP and Volbroker was not yet finalised at 31 December 2005. In this connection, an accrued liability was recognised in the consolidated accounts to reflect the 72.5% share of TFS' partners in the results of the currency options business of its German subsidiary, Tradition Financial Services GmbH. This restatement led to a net charge of CHF 872,000 (2004: CHF 603,000) stated under "Other net operating income" (Note 2).

An analysis of assets, liabilities, income and expenses attributable to joint ventures is shown below:

CHF 000	2005	2004
SHARE OF BALANCE SHEET ATTRIBUTABLE TO JOINT VENTURES		
Current assets	207,272	93,327
Non-current assets	6,477	2,879
	213,749	96,206
Current liabilities	185,163	82,771
Non-current liabilities	2,892	864
	188,055	83,635
SHARE OF PROFIT/LOSS ATTRIBUTABLE TO JOINT VENTURES		
Income	93,892	62,768
Expenses	-68,832	-51,630
NET PROFIT	25,060	11,138
Group share	13,373	5,562
Minority interests	11,687	5,576

13. Business combinations

In January 2005, Tradition Service Holding S.A. (TSH) acquired 35% of the voting rights of Ong First Tradition Pte Ltd, an unlisted Futures trading company in Singapore. TSH has two call options allowing it to increase its holding in the company to 60% and therefore to exercise control. Ong First Tradition (Pte) Ltd has therefore been fully consolidated.

The fair value of its identifiable assets and liabilities at the acquisition date is shown below:

CHF 000	
Tangible fixed assets	330
Unavailable cash	214
Prepayments and accrued income	350
Receivables related to account holder activities	40,256
Trade and other receivables	538
Financial assets at fair value	860
Cash and cash equivalents	8,038
ASSETS	50,586
Trade and other payables	407
Payables related to account holder activities	39,231
Accruals and deferred income	696
Deferred tax liabilities	23
LIABILITIES	40,357
Fair value of net assets	10,229
Share of the fair value of net assets (35%)	3,580
Goodwill arising on acquisition	789
	4,369

Cash flow related to the acquisition:

Net cash acquired with subsidiary	8,038
less: Cash withdrawn	-4,369
Net cash	3,669

Since the acquisition date, Ong First Tradition (Pte) Ltd has contributed CHF 179,000 to the Group's results.

Goodwill arose on the company's position in the Singapore Futures markets and on its payroll. These items cannot be recognised separately as intangible assets. Business expenses related to the acquisition of CHF 114,000 are included in the goodwill.

Notes to the consolidated financial statements

14. Non-current assets and liabilities held for sale

Non-current assets and liabilities held for sale relate to ABC Clearing Ltd. A letter of intent for the sale of the company was signed during the year, and finalisation is planned for the first quarter of 2006.

An analysis of ABC Clearing Ltd's principal assets and liabilities at 31 December 2005 is shown below:

CHF 000	
Tangible fixed assets	160
Unavailable cash	1,696
Trade and other receivables	469
Cash and cash equivalents	2,418
ASSETS	4,743
Trade and other payables	276
LIABILITIES	276
Carrying amount of net assets	4,467

An analysis of ABC Clearing Ltd's income and expenses for the period ended 31 December 2005 is shown below:

Income	86
Expenses	-2,794
Net profit	-2,708

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

ABC Clearing Ltd had a net cash outflow of CHF 373,000 in 2005.

With regard to segment reporting, ABC Clearing Ltd is disclosed under Europe and under "Securities and securities derivatives".

15. Account holder activities

Tradition Securities And Futures S.A., S.P. Angel & Co. Ltd and Ong First Tradition (Pte) Ltd. act as account depositaries, 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 and spread betting, FXDirectDealer LLC, Gaitame.com Co. Ltd and Monecor (London) Ltd receive deposits from customers, which they in turn deposit with their clearing banks.

Assets and liabilities relating to these activities, reported on the balance sheet under "Receivables related to account holder activities" and "Payables related to account holder activities" at 31 December 2005 and 31 December 2004, are shown below:

CHF 000	2005	2004
RECEIVABLES RELATED TO ACCOUNT HOLDER ACTIVITIES		
Deposits paid	365,252	99,187
Current accounts with clearing houses	41,536	44,891
Trading accounts	43,815	40,860
TOTAL	450,603	184,838
PAYABLES RELATED TO ACCOUNT HOLDER ACTIVITIES		
Deposits received	377,980	99,427
Current accounts with clearing houses	5,180	44,279
Trading accounts	65,226	40,490
TOTAL	448,386	184,196
NET TOTAL	2,217	742

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

16. Trade and other receivables

An analysis of Trade and other receivables is shown below:

CHF 000	2005	2004
Trade debtors	127,857	103,980
Employee receivables	44,219	25,548
State and social security bodies	591	387
Collateral deposits	6,936	4,832
Related party receivables (Note 32)	3,467	3,961
Other short-term receivables	15,263	11,653
TOTAL	198,333	150,361

Necessary provisions for customer receivables amounted to CHF 2,536,000 (2004: CHF 2,527,000).

"Employee receivables" include bonuses paid in advance and spread over the duration of the contract of a small number of employees. Expenses relating to these bonuses are therefore recognised in the income statement on a straight line basis over the life of the contract.

Notes to the consolidated financial statements

17. Financial assets at fair value

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

CHF 000	2005	2004
Bonds	2,694	230
Equities	6,558	4,160
Investment funds	518	375
TOTAL	9,770	4,765

The fair value of these financial assets is measured on the basis of their most recent traded price.

Financial assets held for trading include shares in JSE Ltd (Johannesburg Stock Exchange). At 31 December 2004, these shares, held in the form of a membership, were reported under "Other intangible fixed assets". Following changes in this company's Articles of Association on 1 July 2005, the memberships were converted into shares, and holding them is no longer a requirement for processing trades. The fair value of this holding is determined on the basis of the most recent traded price of the company's shares, which was ZAR 125.0 per share. In 2005, the impact of the fair value measurement of financial assets was reflected in the recognition of income of CHF 1,423,000 carried under Financial income (Note 4).

18. Cash and cash equivalents

CHF 000	2005	2004
Cash and call deposits with banks	138,009	121,516
Short-term deposits with banks	34,458	29,425
Short-term money market investments	28,945	32,034
Highly liquid investments	201,412	182,975
less: Bank overdrafts (Note 19)	-274	-676
Cash and cash equivalents in the cash flow statement	201,138	182,299

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.

19. Financial debts

CHF 000	2005	2004
SHORT-TERM		
Bank overdrafts	274	676
Bank borrowings	85,737	64,955
Short-term portion of long-term bank borrowings	2,470	-
Short-term obligations under finance lease	1,144	511
	89,625	66,142
LONG-TERM		
Long-term borrowings	10,112	1,657
Obligations under finance leases	2,953	1,643
	13,065	3,300
TOTAL	102,690	69,442

Contractually agreed dates for setting bank loan prices are less than 1 month.

The long-term borrowings of CHF 10,112,000 at 31 December 2005 (CHF 1,657,000 at 31 December 2004) consist of debts of CHF 1,675,000, owed by Meitan Tradition Co. Ltd. and maturing in November 2010, and CHF 8,437,000 owed by Tradition (UK) Ltd. The latter is repayable in instalments of CHF 206,000, maturing in May 2010.

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

The Group's financial debts are denominated in the following currencies:

CHF 000	Fixed rate	Variable rate	Total
CAD	-	9	9
CHF	-	85,000	85,000
GBP	-	11,826	11,826
YEN	-	5,772	5,772
USD	-	83	83
TOTAL	-	102,690	102,690
Of which:			
Less than 1 year	-	89,625	89,625
1 to 5 years	-	13,065	13,065
Over 5 years	-	-	-

Notes to the consolidated financial statements

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

	2005	2004
CAD	7.50%	-
CHF	1.94%	1.80%
EUR	-	2.61%
GBP	6.40%	6.75%
JPY	2.33%	1.64%
USD	8.25%	2.52%

The Group's bank borrowings at 31 December 2005 were collateralised to the extent of CHF 85,737,000 (CHF 64,065,000 at 31 December 2004). CHF 85,000,000 (CHF 47,700,000 at 31 December 2004) is guaranteed by a pledge of its equity investments in IFX Group plc, and in certain subsidiaries. CHF 645,000 (CHF 16,635,000 at 31 December 2004) is guaranteed by the pledge of marketable securities and of securities to be delivered in connection with matched principal activities.

Unused credit facilities at 31 December 2005 amounted to CHF 6,000,000 (CHF 11,000,000 at 31 December 2004).

20. Provisions

An analysis of provisions is shown below:

CHF 000	Provisions for pensions and post-employment benefits	Provisions for litigation	Provisions for taxes	TOTAL
BALANCE AT 1 JANUARY 2004	10,402	5,579	-	15,981
Changes in basis of consolidation	3	-	-	3
Reclassifications	-	-67	67	-
Expenses	2,356	2,260	2,122	6,738
Used	-199	-474	-	-673
Reversals	-9	-2,425	-	-2,434
Currency translation	-284	-185	-3	-472
BALANCE AT 31 DECEMBER 2004	12,269	4,688	2,186	19,143
BALANCE AT 1 JANUARY 2005	12,269	4,688	2,186	19,143
Changes in basis of consolidation	23	-	-	23
Reclassifications	-	-68	169	101
Expenses	2,142	46	711	2,899
Used	-1,699	-1,901	-407	-4,007
Reversals	-730	-1,550	-67	-2,347
Currency translation	92	248	24	364
BALANCE AT 31 DECEMBER 2005	12,097	1,463	2,616	16,176

Provisions for pensions and post-retirement benefits recognised in the balance sheet cover obligations of foreign subsidiaries arising under defined contribution and defined benefit plans. Details of net liabilities under defined benefit plans are disclosed in Note 24.

A number of Compagnie Financière Tradition's subsidiaries recognise liabilities for litigation, mainly in connection with salary disputes. The timing of any outflow of resources 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 has not been reliably estimated.

Compagnie Financière Tradition and its subsidiary, Tradition Securities And Futures S.A. (TSAF) were subject to tax audits in 2003, involving the 2000, 2001 and 2002 financial years. In December 2003, they received tax adjustment notices relating to the 1999 and 2000 financial years, mainly concerning Compagnie Financière Tradition's tax treatment of certain provisions. The tax adjustments accepted by Compagnie Financière Tradition and TSAF were covered by the creation of a provision of CHF 2,515,000 at 31 December 2005.

21. Trade and other payables

An analysis of trade and other payables is shown below:

CHF 000	2005	2004
State and social security bodies	23,390	23,161
Payables relating to broking operations	1,088	33
Related party payables (Note 32)	8,059	9,176
Short-term payables	32,475	25,121
TOTAL	65,012	57,491

22. Tax payable and receivable

Consolidated tax payable at 31 December 2005 amounted to CHF 20,547,000 (CHF 15,096,000 at 31 December 2004).

Tax receivable amounting to CHF 4,180,000 at 31 December 2005 (CHF 4,326,000 at 31 December 2004) consisted mainly of tax instalments paid by Group companies.

Notes to the consolidated financial statements

23. Prepayments and accruals

An analysis of accruals and deferred items is shown below:

CHF 000	2005	2004
PREPAYMENTS AND ACCRUED INCOME		
Prepaid expenses	14,779	10,193
Other accrued income	-	282
TOTAL	14,779	10,475
ACCRUALS AND DEFERRED INCOME		
Employee compensation and benefits	93,813	81,123
Other accrued expenses	14,474	13,331
TOTAL	108,287	94,454

24. Obligations to employees

Recognised balance sheet assets and liabilities

CHF 000	2005	2004
Present value of obligations	36,067	33,905
Fair value of plan assets	-26,787	-26,001
Excess of plan obligations	9,280	7,904
Unrecognised net actuarial gains and losses	-2,872	-1,572
NET DEFINED BENEFIT PLAN LIABILITIES	6,408	6,332

Fair value of assets by nature

CHF 000	2005	2004
Financial assets at fair value	22,102	21,453
Land and buildings	2,810	2,728
Cash and cash equivalents	1,248	1,040
Other assets	627	780
AT 31 DECEMBER	26,787	26,001

Movement in net liabilities of defined benefit plans

CHF 000	2005	2004
At 1 January	6,332	6,262
Expense recognised in the income statement	1,168	1,138
Contributions	-1,114	-1,038
Amount paid	-	-
Currency translation	22	-30
AT 31 DECEMBER	6,408	6,332

Expense recognised in the income statement

CHF 000	2005	2004
Cost of services rendered	1,584	1,206
Financial cost	992	983
Expected return on pension assets	-1,132	-1,111
Net recognised actuarial (gains)/losses in the year	-276	60
COST OF DEFINED BENEFIT PLANS	1,168	1,138

CHF 000	2005	2004
Effective return on pension assets	1,125	954

Main actuarial assumptions

%	2005	2004
Discount rate	3.48%	3.78%
Expected return on pension assets	4.38%	4.39%
Future salary increases	4.10%	3.85%
Future pension increases	0.29%	0.36%

Expenses related to defined benefit and defined contribution plans are shown under "Personnel costs". Costs associated with defined contribution pension plans amounted to CHF 4,571,000 (2004: CHF 3,716,000).

Share-based payments

An analysis of the Group's employee share options at 31 December 2005 is shown below:

	No. of shares of CHF 2.50 nominal value	Potential capital increase CHF	Start of exercise date	Expiry date	Exercise price CHF
Plan of 10.03.00	266,000	665,000	88,800 securities on 10.03.01 88,800 securities on 10.03.02 88,400 securities on 10.03.03	09.03.12	60.00
Plan of 17.05.02	40,000	100,000	40,000 securities on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 securities on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 securities on 08.09.05	07.09.13	92.25
TOTAL	462,094	1,155,235			

Notes to the consolidated financial statements

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

CHF	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2005		2004	
Outstanding at start of year	69.26	481,600	66.73	510,494
Granted during the year	-	-	12.00	19,506
Exercised during the year	12.00	-18,588	9.00	-48,400
Lapsed during the year	-	-	-	-
Cancelled during the year	12.00	-918	-	-
Outstanding at end of year	71.67	462,094	69.26	481,600
Exercisable at end of year	68.74	356,000	61.73	325,506

Options exercised only give the right to receive shares.

Costs associated with share-based payments in 2005 amounted to CHF 356,000 (2004: CHF 1,789,000).

25. Capital

Composition of capital

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

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

At 31 December 2005, share capital consisted of 5,468,357 bearer shares of CHF 2.50 nominal value, for a total capital of CHF 13,670,892.

Major shareholders

The only shareholder to hold over 5% of the voting rights in Compagnie Financière Tradition at 31 December 2005 was VIEL et Compagnie Finance, with a 67.43% holding, against 70.42% at 31 December 2004. VIEL et Compagnie Finance holds these voting rights indirectly through Financière Vermeer BV, Amsterdam, a company wholly owned by VIEL G-Cie, Paris, in which in turn VIEL et Compagnie Finance held a 54.78 % interest at 31 December 2005.

Authorised capital

The Company's capital may be increased by up to CHF 5,758,327 through the issuance of up to 2,303,331 new bearer shares with a nominal value of CHF 2.50. The Board of Directors shall set the issue price and the date from which the new shares are to carry dividend rights. This authority is valid until 19 May 2006.

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

Conditional capital

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

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

26. Reserves unavailable for distribution

The general reserve, reserve for treasury shares, amounting to CHF 17,570,000 and CHF 13,954,000 respectively at 31 December (CHF 17,570,000 and CHF 15,418,000 respectively at 31 December 2004), and statutory reserves required by subsidiaries, amounting to CHF 12,063,000 (2004: CHF 9,513,000) are not available for distribution.

27. Treasury shares

At 31 December 2005, Compagnie Financière Tradition directly held 123,681 of its own shares, or 2.26% of its capital, for a gross total amount of CHF 13,954,000 (136,263 shares for a gross amount of CHF 15,418,000 at 31 December 2004).

Notes to the consolidated financial statements

These shares are held under an authority from the General Meeting of Shareholders. The amount of these shares was charged against consolidated shareholders' equity at 31 December 2005.

	Book value CHF 000	Acquisition or redemption price CHF 000	No. of shares of CHF 2.50 nominal value
Situation at 1 January 2005	15,418	15,418	136,263
Acquisitions	671	671	5,500
Disposals	-2,135	-2,108	-18,082
Realised gains and losses	-	-27	-
Situation at 31 December 2005	13,954	13,954	123,681

28. Dividends

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

CHF 000	2005	2004
Dividend of CHF 6.0 per share (2004: CHF 6.0)	32,810	32,068

29. Guarantees and conditional commitments

Guarantees and conditional commitments given

CHF 000	2005	2004
Guarantees in favour of third parties	16	16

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 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 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.

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 2005, 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 residual receivables to CHF 5,901,000 at 31 December (CHF 6,979,000 at 31 December 2004).

Operating leases

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

CHF 000	2005	2004
Less than 1 year	16,387	12,559
1 to 5 years	30,199	34,185
Over 5 years	10,071	11,671
FUTURE MINIMUM COMMITMENTS	56,657	58,415

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

Payments under operating leases amounted to CHF 21,504,000 for the period (2004: CHF 18,366,000) and are included under "Other operating expenses".

Finance leases

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

CHF 000	Minimum leasing commitments	Interest		Principal
		2005	2004	
Less than 1 year	1,144	151	1,295	
1 to 5 years	2,953	197	3,150	
Over 5 years	-	-	-	
TOTAL	4,097	348	4,445	
		2004		
Less than 1 year	511	38	549	
1 to 5 years	1,643	59	1,702	
Over 5 years	-	-	-	
TOTAL	2,154	97	2,251	

Notes to the consolidated financial statements

30. Other off-balance sheet operations

Commitments to deliver and receive securities

CHF 000	2005	2004
Commitments to deliver securities	81,006,300	83,840,884
Commitments to purchase securities	81,011,492	83,841,175

Commitments to deliver and receive securities reflect buy and sell operations on securities entered into before 31 December 2005 and closed after that date, in connection with matched principal activities carried out by Tradition London Clearing Ltd, Tradition Asiel Securities Inc., TFS Derivatives Ltd and Tradition Securities And Futures S.A.

Derivative financial instruments

At 31 December 2005 and 2004, the Group had entered into the following forward foreign exchange contracts:

At 31 December 2005

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

At 31 December 2004

Currency	Face value	Maturity date	CHF 000	
			Positive revaluation	Negative revaluation
USD	825,000	13 May 2005	115	-
USD	1,100,000	22 July 2005	74	-
USD	2,325,000	26 August 2005	224	-
USD	750,000	28 November 2005	38	-
EUR	1,000,000	10 May 2005	-	37
EUR	1,000,000	13 May 2005	-	50
TOTAL			451	87

31. Unavailable cash

CHF 000	2005	2004
Call deposits and securities given as collateral in connection with broking activities	12,301	11,838

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

32. Related party transactions

Key management compensation

CHF 000	2005	2004
Salaries and bonuses	14,303	14,359
Fringe benefits	423	330
TOTAL	14,726	14,689

In 2005 and 2004, key employees received no compensation in the form of post-employment benefits, termination benefits, or share-based payments, or in any other form of short- or long-term benefits.

Nature of duties of key employees

The essential functions of key employees encompass the management of all operating teams in the Group's different geographical zones, and executives for strategy, finance and internal monitoring procedures.

Related party receivables

CHF 000	2005	2004
Receivables from associates	290	-
Receivables from related companies	1,144	293
Receivables from shareholder and associated companies	2,033	3,668
TOTAL	3,467	3,961

Notes to the consolidated financial statements

Related party payables

CHF 000	2005	2004
Payables to associates	-	8
Payables to related companies	1,659	838
Payables to shareholder and associated companies	6,400	8,330
TOTAL	8,059	9,176

"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

In June 2004, a gross profit of CHF 32,213,000 was recognised on the sale of Compagnie Financière Tradition's two Lausanne buildings to its direct majority shareholder, for a consideration of CHF 35,000,000 (Note 2). The sale price was determined on the basis of an independent valuation. Following this sale, Compagnie Financière Tradition became the lessee of its direct majority shareholder, entering into a 5-year lease on 1 July 2004 based on rental values prevailing in the market. Consequently, rental expenses of CHF 910,000 (2004: CHF 455,000) were recognised under "Other operating expenses".

In May 2000, a liquidity contract was entered into with a company related to one of its directors, under which the company was appointed marketmaker for Compagnie Financière Tradition's shares. Fees of CHF 20,000 were paid in relation to this mandate in both 2005 and 2004.

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 (Note 29).

Consolidation of Compagnie Financière Tradition

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

33. Events after the balance sheet date

ICAP plc informed Compagnie Financière Tradition of a complaint it had received from National Australian Bank (NAB) concerning information supplied with regard to currency options (see Compagnie Financière Tradition's press release of 9 November 2005). ICAP's Singapore subsidiary, mentioned in this correspondence, is a member of the TFS-ICAP joint venture which specialises in currency options. TFS is a subsidiary of Compagnie Financière Tradition.

34. Exchange rates

An analysis of the main exchange rates into Swiss francs used in the consolidation is shown below:

	Closing rate	Average rate	Closing rate	Average rate
	2005		2004	
1 Euro	1.5581	1.5480	1.5429	1.5441
1 British pound	2.2640	2.2643	2.1884	2.2755
1 Yen	0.0112	0.0113	0.0111	0.0115
1 US dollar	1.3157	1.2454	1.1327	1.2419

Notes to the consolidated financial statements

35. Basis of consolidation

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

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method FCM/PCM/EM
COMPAGNIE FINANCIERE TRADITION		Switzerland			CHF 13,672	Consolidated company
1. FINANCIAL COMPANIES TRADITION						
TRADITION SERVICE HOLDING S.A., LAUSANNE		Switzerland	100.00%	100.00%	CHF 21,350	FCM
Tradition (UK) Ltd, London		United Kingdom	100.00%	100.00%	GBP 15,050	FCM
Tradition Bond Brokers Ltd, London		United Kingdom	100.00%	100.00%	GBP 9,160	FCM
Tradition Beaufort House Ltd, London		United Kingdom	100.00%	100.00%	GBP n/s	FCM
Monecor (London) Ltd, London		United Kingdom	100.00%	100.00%	EUR 10,621	FCM
S.P. Angel & Co. Ltd, London		United Kingdom	100.00%	100.00%	GBP 3,138	FCM
ABC Clearing Ltd, London		United Kingdom	100.00%	100.00%	GBP 5,000	FCM
Tradition (London Clearing) Ltd, London		United Kingdom	100.00%	100.00%	GBP 2,000	FCM
Tradition Government Bond Brokers and Derivative Brokers (Pty) Ltd, Johannesburg	✓	South Africa	100.00%	100.00%	ZAR n/s	FCM
Finacor Belgium S.A., Brussels		Belgium	99.95%	99.95%	EUR 149	FCM
Tradition Luxembourg S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 772	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 branches in London and Lausanne		France	99.87%	99.87%	EUR 13,325	FCM
VIEL Tradition S.A., Paris		France	99.94%	99.81%	EUR 10,601	FCM
Finacor & Associés S.A., Brussels		Belgium	100.00%	99.87%	EUR 497	FCM
Tradition Wertpapierhandel GmbH, Frankfurt		Germany	100.00%	100.00%	EUR 2,531	FCM
Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR 547	FCM
Tradition S.A., Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradition Italia Sim S.p.A., Milan		Italy	100.00%	100.00%	EUR 1,550	FCM
Fincor SGPS, Lisbon		Portugal	20.00%	20.00%	EUR 4,092	EM
Tradition (North America) Inc., New York		United States	100.00%	100.00%	USD 14,500	FCM
Tradition Securities And Futures Inc., New York		United States	100.00%	100.00%	USD n/s	FCM
FXDirectDealer LLC, New York		United States	75.00%	75.00%	USD 2,089	FCM
Elite Broker S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN 50	FCM
Asesorias e Inversiones Tradition Chile, Ltda, Santiago	✓	Chile	100.00%	100.00%	CLP 2,218,955	FCM
Tradition Chile Agentes de Valores Ltda, Santiago		Chile	100.00%	100.00%	CLP 476,805	FCM
Tradition Asiel Securities Inc., New York		United States	100.00%	100.00%	USD 5	FCM
Tradition (Global Clearing) Inc., New York		United States	100.00%	100.00%	USD n/s	FCM
Tradition Services (Delaware) Corp., Delaware		United States	100.00%	100.00%	USD n/s	FCM
Govdesk LLC, Redondo Beach, California		United States	35.00%	35.00%	USD 75	EM
VIEL Debeausse & Co. Inc., New York		United States	91.00%	91.00%	USD 50	FCM
Tradition Services S.A. de C.V., Mexico		Mexico	100.00%	100.00%	MXN 50	FCM
Tradition Argentina S.A., Buenos Aires		Argentina	100.00%	100.00%	ARS 485	FCM
Meitan Tradition Co., Ltd, Tokyo		Japan	55.34%	55.34%	JPY 300,000	FCM
Gaitame.com Co., Ltd, Tokyo		Japan	40.71%	22.53%	JPY 760,250	PCM
Tradition (Asia) Ltd, Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,001	FCM
Tradition Singapore (Pte) Ltd, Singapore		Singapore	100.00%	100.00%	SGD 1,200	FCM
Tribond Singapore (Pte) Ltd, Singapore	✓	Singapore	100.00%	100.00%	SGD n/s	FCM
Ong First Tradition (Pte) Ltd, Singapore	✓	Singapore	35.00%	35.00%	SGD 3,000	FCM
Tradition Australia Pty Ltd, Sydney		Australia	100.00%	100.00%	AUD n/s	FCM

Notes to the consolidated financial statements

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method FCM/PCM/EM
TFS, LAUSANNE		Switzerland	99.53%	99.73%	CHF 3,916	FCM
Tradition Financial Services Ltd, London and branch in Tel Aviv		United Kingdom	100.00%	99.73%	GBP 250	FCM
TFS-ICAP Holdings Ltd, London		United Kingdom	50.00%	54.85%	GBP 2,240	PCM
TFS-ICAP Ltd, London		United Kingdom	51.00%	27.43%	GBP 20	FCM
TFS-ICAP Currency Options Ltd, London		United Kingdom	100.00%	27.43%	GBP 550	FCM
TFS Currency Options Ltd, London		United Kingdom	100.00%	27.43%	GBP 5	FCM
Intercapital Currency Options Ltd, London		United Kingdom	100.00%	27.43%	GBP 5	FCM
TFS Derivatives Ltd, London		United Kingdom	100.00%	99.73%	GBP 1,200	FCM
Equitek Capital Ltd, London		United Kingdom	100.00%	99.73%	GBP 1,300	FCM
TFS Futures & Options S.A. (Pty) Ltd, Johannesburg		South Africa	100.00%	99.73%	ZAR 250	FCM
TFS Securities (Pty) Ltd, Johannesburg		South Africa	100.00%	99.73%	ZAR 1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	99.73%	EUR 153	FCM
Tradition Financial Services Inc., New York		United States	100.00%	99.73%	USD 50	FCM
TFS Derivatives Corp., New York		United States	100.00%	99.73%	USD 95	FCM
TFS Services (Texas) Inc., Houston	✓	United States	100.00%	99.73%	USD n/s	FCM
Tradition Financial Services (Texas) LP, Houston	✓	United States	100.00%	99.73%	USD n/s	FCM
TFS-ICAP Holdings LLC, New York		United States	50.00%	54.85%	USD n/s	PCM
TFS-ICAP LLC, New York		United States	51.00%	27.43%	USD n/s	FCM
TFS Energy LLC, Stamford		United States	53.00%	52.86%	USD n/s	FCM
TFS Energy Futures LLC, Stamford		United States	100.00%	52.86%	USD n/s	FCM
TFS Energy Inc., Houston		United States	100.00%	52.86%	USD n/s	FCM
TFS Energy (Texas) LP, Houston	✓	United States	100.00%	52.86%	USD n/s	FCM
Energy Curves LLC, Houston	✓	United States	25.00%	13.21%	USD n/s	EM
TFS Blackwood LLC, New York		United States	93.75%	93.50%	USD 1,388	FCM
TFS Blackwood Ltd, London		United Kingdom	93.75%	93.50%	GBP n/s	FCM
Equitek Capital Inc., Delaware		United States	100.00%	99.73%	USD n/s	FCM
Equitek Capital LLC, Delaware		United States	50.00%	49.87%	USD n/s	FCM
TFS Australia Pty Ltd, Sydney		Australia	100.00%	99.73%	AUD 5	FCM
Tradition Financial Services Japan Ltd, Tokyo		British Virgin Islands	100.00%	99.73%	USD 50	FCM
Tradition Financial Services (Hong Kong) Ltd, Hong Kong		Hong Kong	100.00%	99.73%	HKD 200	FCM
TFS Energy (S) (Pte) Ltd, Singapore		Singapore	100.00%	99.73%	USD 60	FCM
TFS Currencies (Pte) Ltd, Singapore		Singapore	100.00%	99.73%	USD 700	FCM
The Recruitment Company Holdings Inc., Delaware		United States	79.00%	78.79%	USD n/s	FCM
TRC Recruitment Ltd, London		United Kingdom	100.00%	78.79%	GBP 1	FCM
The Recruitment Company Pty Ltd, Sydney		Australia	100.00%	78.79%	AUD n/s	FCM
The Recruitment Company Ltd, Tokyo		Japan	100.00%	78.79%	JPY 5,000	FCM
The Recruitment Company Ltd, Hong Kong		Hong Kong	100.00%	78.79%	HKD 10	FCM
Equitek Capital Limited, Georgetown		Cayman Islands	100.00%	49.88%	USD n/s	FCM
Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD 5,000	FCM
Rubens Investments Services Inc., British Virgin Islands	✓	British Virgin Islands	100.00%	100.00%	USD n/s	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
VIEL Gestion, Paris		France	78.05%	77.95%	EUR -	FCM
VCF Gestion, Paris		France	90.00%	89.89%	EUR -	FCM

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

Notes to the consolidated financial statements

Changes in the basis of consolidation

The main changes in the basis of consolidation in 2005 were as follows:

StreamingEdge.com Inc.:

In the transition to IFRS, StreamingEdge.com Inc. and its subsidiaries StreamingEdge (Canada) Inc. and StreamingEdge UK Ltd were accounted for using the full consolidated method. Under SWISS GAAP FER these companies were accounted for using the equity method.

TFS:

Compagnie Financière Tradition pressed ahead with its policy of buying out TFS' minority interests, bringing its holding in the company to 99.53% at 31 December 2005 from 98.79% at 31 December 2004, and its interest in the company to 99.73%. This operation resulted in recognition of additional goodwill of CHF 500,000.

TRC Lausanne:

This company was merged with TFS under a merger by takeover, effective 1 January 2005. Since TFS held the entire share capital of TRC Lausanne, the merger did not give rise to an increase in capital.

Gaitame.com Co., Ltd:

In the first quarter of 2005, this company increased, its share capital by JPY 492.8 million, from JPY 267.5 million to JPY 760.3 million. JPY 104.0 million of this amount resulted from the exercise of employee share options. Meitan Tradition Co. Ltd contributed JPY 211.0 million to the capital increase, bringing its holding in the company to 40.7% (previously 37.4%). These operations resulted in a profit of JPY 3.5 million, or CHF 40,000, consolidated under "Other net financial income" at 31 December 2005.

Ong First Tradition (Pte) Ltd:

Tradition Service Holding S.A. (TSH) acquired 35% of the capital of Ong First Tradition (Pte) Ltd in January 2005, for a consideration of SGD 6 million. Goodwill booked on this operation amounted to CHF 900,000. TSH has two call options allowing it to increase its holding in the company to 60% and thereby acquire a controlling interest. Ong First Tradition (Pte) Ltd is therefore fully consolidated in the accounts.

Tradcom Management:

This company was merged with Tradificom International under a merger by takeover, effective 1 January 2005. Following this operation, the share capital of Tradificom International was increased by CHF 100,000, the amount of the acquired company's share capital, bringing it to CHF 200,000.

Compagnie Financière Tradition had signed a letter of intent in December 2004 concerning the acquisition of Chapdelaine & Co. and its subsidiaries, which expired in June 2005. The discussions were not concluded within the initial time scale, but talks were continuing at 31 December 2005.

Notes to the consolidated financial statements

36. Transition to IFRS

Transitional statement of consolidated shareholders' equity at 1 January 2004

CHF 000 except number of shares	No. of shares	Capital	Share premium	Treasury shares	Consolidated reserves*	Total - Group share	Minority interests	TOTAL
Shareholders' equity at 1 January 2004 under SWISS GAAP FER	5,401,369	13,503	19,879	-	169,067	202,449	21,243	223,692
Restatements								
Reclassification of treasury shares ⁽¹⁾	-	-	-	-7,367	-	-7,367	-	-7,367
Adjustment for depreciation of buildings ⁽²⁾	-	-	-	-	-4,655	-4,655	-	-4,655
Adjustment for defined benefit pension plans ⁽³⁾	-	-	-	-	-4,144	-4,144	69	-4,075
Recognition of holiday pay provisions	-	-	-	-	-537	-537	-184	-721
Recognition of finance leases ⁽⁴⁾	-	-	-	-	-340	-340	-275	-615
Adjustment for general provision for debtors	-	-	-	-	729	729	-	729
Adjustment for income tax charge on IFRS restatements	-	-	-	-	673	673	241	914
Adjustment to value of marketable securities	-	-	-	-	-469	-469	-	-469
Adjustment for matched principal transactions ⁽⁵⁾	-	-	-	-	-472	-472	-	-472
Adjustment for depreciation of buildings	-	-	-	-	536	536	-203	333
Reversal of negative goodwill balance	-	-	-	-	310	310	-	310
Other adjustments	-	-	-	-	-173	-173	33	-140
Shareholders' equity at 1 January 2004 under IFRS	5,401,369	13,503	19,879	-7,367	160,525	186,540	20,924	207,464

* In the transition to IFRS, the general reserve (CHF 17,570,000), special reserve (CHF 3,100,000), and other reserves (CHF 15,300,000) have been included in the consolidated reserves.

(1) **Reclassification of treasury shares:** In application of IAS 32, treasury shares are deducted from consolidated shareholders' equity. They were previously reported as non-current assets under SWISS GAAP FER.

(2) **Adjustment for depreciation of buildings:** This adjustment of CHF 4,655,000 concerns the retrospective restatement of accumulated depreciation of buildings held by Compagnie Financière Tradition.

(3) **Adjustment for defined benefit pension plans:** The application of IAS 19 has led to an adjustment to the present value of certain defined benefit pension funds. The effect of this adjustment is to reduce opening shareholders' equity by CHF 4,144,000.

(4) **Recognition of finance leases:** In the transition to IFRS, certain leases previously classified as operating leases under SWISS GAAP FER have been reclassified as finance leases. This has led to the write-off of the charge relating to leasing expenses, and recognition of an amortisation of assets and a financial charge. The effect of this adjustment is to reduce opening shareholders' capital by CHF 340,000.

(5) **Adjustment for matched principal transactions:** With matched principal activities, where the Group acts as principal to simultaneously purchase and sell securities for the account of third parties, commission revenues are the difference between the buying and selling price of the securities. In the transition to IFRS, the Group elected to recognise these transactions at the delivery date, having previously recognised them at the transaction date under SWISS GAAP FER. The impact of this change is to reduce opening shareholders' capital by CHF 472,000.

Notes to the consolidated financial statements

Transitional statement of consolidated shareholders' equity at 31 December 2004

CHF 000 except number of shares	No. of shares	Capital	Share premium	Treasury shares	Currency translation	Consolidated reserves	Total - Group share	Minority interests	TOTAL
Shareholders' equity at 31 December 2004 under SWISS GAAP FER	5,449,769	13,624	20,337	-15,418	-	186,055	204,598	11,193	215,791
Restatements									
Currency translation in 2004	-	-	-	-	-10,207	10,207	-	-	-
Additional profit on disposal of buildings	-	-	-	-	-	4,728	4,728	-	4,728
Adjustment for depreciation of buildings	-	-	-	-	-	-4,655	-4,655	-	-4,655
Elimination of goodwill amortisation	-	-	-	-	-	2,368	2,368	-	2,368
Reversal of negative goodwill balance	-	-	-	-	-	310	310	-	310
Adjustment for defined benefit pension plans	-	-	-	-	-	-4,011	-4,011	46	-3,965
Amortisation of intangible fixed assets	-	-	-	-	-	-1,270	-1,270	-	-1,270
Recognition of holiday pay provisions	-	-	-	-	-	-843	-843	-255	-1,098
Recognition of finance leases	-	-	-	-	-	-468	-468	-378	-846
Adjustment to value of marketable securities	-	-	-	-	-	-208	-208	-	-208
Adjustment to value of investment securities	-	-	-	-	-	-528	-528	-	-528
Adjustment for matched principal transactions	-	-	-	-	-	-573	-573	-	-573
Adjustment for depreciation of buildings	-	-	-	-	-	227	227	-277	-50
Adjustment for income tax charge on restatements	-	-	-	-	-	1,095	1,095	351	1,446
Impact of change in functional currencies of subsidiaries	-	-	-	-	-	407	407	1	408
2004 currency translation on IFRS adjustments	-	-	-	-	-	-249	-249	61	-188
Other adjustments	-	-	-	-	-	-153	-153	2	-151
Shareholders' equity at 31 December 2004 under IFRS	5,449,769	13,624	20,337	-15,418	-10,207	192,439	200,775	10,744	211,519

Notes to the consolidated financial statements

Transitional statement of consolidated results at 31 December 2004

CHF 000	Note	2004 SWISS GAAP FER	Restatements	Reclassifications	2004 IFRS
Turnover		849,685	-64	-	849,621
Other net operating income	(1)	-483	4,728	27,484	31,729
OPERATING INCOME		849,202	4,664	27,484	881,350
Personnel costs	(2)	-584,037	-2,997	-	-587,034
Other operating expenses	(3)	-199,543	1,014	-	-198,529
Amortisation and depreciation	(4)	-11,359	-2,947	-	-14,306
Impairment losses		-	-	3,355	3,355
OPERATING EXPENSES		-794,939	-4,930	3,355	-796,514
OPERATING PROFIT		54,263	-266	30,839	84,836
Net financial income	(5)	-1,654	128	-	-1,526
Share of profit of equity accounted companies	(6)	-	290	-842	-552
PROFIT BEFORE TAX		52,609	152	29,997	82,758
Income tax	(7)	-23,137	468	-1,923	-24,592
PROFIT AFTER TAX		29,472	620	28,074	58,166
Profit of equity accounted companies		-842	-	842	-
Goodwill amortisation	(8)	987	2,368	-3,355	-
Net exceptional profit	(9)	25,561	-	-25,561	-
NET PROFIT FOR THE YEAR		55,178	2,988	-	58,166
Minority interests		-4,657	191	-	-4,466
NET PROFIT FOR THE YEAR - GROUP SHARE		50,521	3,179	-	53,700

- (1) **Other net operating income:** The restatement of an amount of CHF 4,728,000 under "Other net operating income" relates to the recognition of additional profit on the disposal of Compagnie Financière Tradition's buildings, following the retrospective adjustment to accumulated depreciation of the buildings under IFRS.
- (2) **Personnel costs:** Restatements of an amount of CHF 2,997,000 under "Personnel costs" mainly concern:
 - the application of IFRS 2, which has led to the recognition of a total charge of CHF 1,789,000 related to share options granted by Compagnie Financière Tradition,
 - the application of IAS 19, which has led to an adjustment to the present value of certain defined benefit pension funds. The effect of this adjustment is to reduce personnel costs by CHF 110,000,
 - the recognition of a charge of CHF 377,000 for holiday pay provisions.
 - the full consolidation of StreamingEdge companies in accordance with IAS 27; under SWISS GAAP FER these companies were accounted for using the equity method. Their personnel costs amounted to CHF 1,104,000.
- (3) **Other operating expenses:** Restatements under "Other operating expenses", which reduce expenses by CHF 1,014,000, arise mainly from the write-off of lease-related expenses in the amount of CHF 1,056,000; these leases have been reclassified as finance leases under IFRS. A corresponding amortisation and financial expense have been recognised on these assets.
- (4) **Amortisation and depreciation:** Restatements under "Amortisation and depreciation", amounting to CHF 2,947,000, mainly concern:
 - an amortisation charge related to the restatement of assets under finance leases in the amount of CHF 1,203,000; these leases have been classified as finance leases in accordance with IFRS,
 - amortisation of CHF 1,270,000 on software that was unusable for business purposes in the state that it was. This software was classified under contingent assets under SWISS GAAP FER, following the start of litigation to obtain reimbursement of costs related to this software.
- (5) **Net financial income:** The net financial result includes restatement of a financial asset at fair value through profit or loss. This restatement led to an additional loss of CHF 528,000 under IFRS.

(6) **Share of profit of equity accounted companies:** Restatement of the results of equity accounted companies, involving an amount of CHF 290,000, reflects the full consolidation of StreamingEdge companies in the Group's results in accordance with IAS 27; these companies were accounted for using the equity method under SWISS GAAP FER.

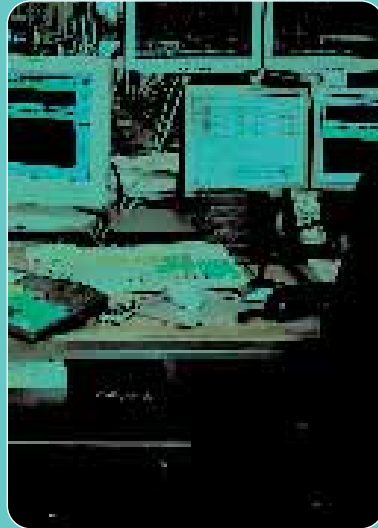
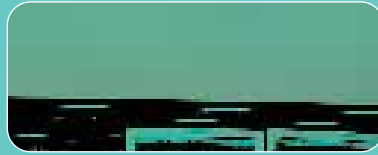
(7) **Income tax:** The impact of restatements of income tax, in an amount of CHF 468,000, arises on the recognition of deferred tax on restatements related to the transition to IFRS within Group companies.

(8) **Goodwill amortisation:** In the transition to IFRS, goodwill stated on the Company balance sheet will be tested annually for impairment and will no longer be amortised on a straight-line basis. There was no indication that any goodwill amortisation was required at 31 December 2004 and goodwill amortisation of CHF 2,368,000 was eliminated accordingly. The reclassification reflects recognition of negative goodwill of CHF 3,355,000, generated on the acquisition of an additional interest of a French subsidiary (MIA), held by MIA Finance S.A. This item is reported under "Impairment losses" under IFRS.

(9) **Net exceptional profit:** Under SWISS GAAP FER, a net profit of CHF 25,561,000 is recognised on the disposal of Compagnie Financière Tradition's buildings. Since the concept of exceptional items does not exist under IFRS, the gross profit of CHF 27,484,000 is reclassified under "Other net operating income", while related tax of CHF 1,923,000 is reclassified under "Income tax".

Restatement of the consolidated cash flow statement

In the transition to IFRS, the main adjustment to the consolidated cash flow statement arises from the definition of cash and cash equivalents. Under IFRS, cash and cash equivalents include short-term money market investments and are only reduced by banks overdrafts repayable on demand. Under SWISS GAAP FER, short-term money market investments are classified under "Marketable securities", while cash is reduced by the aggregate amount of all short-term financial debts.



Company financial statements

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Report of the statutory auditors

To the General Meeting of Compagnie Financière Tradition, Lausanne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes) of Compagnie Financière Tradition for the year ended December 31, 2005.

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 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 retained earnings comply with Swiss law and the Company's articles of incorporation.

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

Lausanne, April 7, 2006

Ernst & Young Ltd

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

S. Durrance
Chartered Accountant

Income statement 2005

CHF 000	Notes	2005	2004
Income from investments	III.1	6,359	6,842
Other operating income		12,971	14,789
Net financial income		465	-67
OPERATING INCOME		19,795	21,564
Personnel costs		-5,814	-6,247
Other operating expenses		-4,823	-7,062
Amortisation and depreciation		-190	-153
OPERATING EXPENSES		-10,827	-13,462
OPERATING PROFIT		8,968	8,102
Exceptional income	III.2	5,292	25,561
Exceptional expenses	III.3	-659	-1,082
Tax		-984	-444
NET PROFIT FOR THE YEAR		12,617	32,137

Balance sheet at 31 December 2005

ASSETS

CHF 000	Notes	2005	2004
Cash and call deposits		1,961	9,737
Short-term receivables from Group companies		14,216	9,032
Other short-term receivables		4,867	3,928
Marketable securities		991	1,337
Prepayments and accrued income		172	112
TOTAL CURRENT ASSETS		22,207	24,146
Long-term receivables from Group companies		16,492	41,183
Receivables from direct and ultimate shareholders		560	1,971
Other long-term receivables		4,964	6,050
Other long-term investments		7,529	6,629
Equity investments	II.1	81,030	79,620
Treasury shares	II.5	13,954	15,125
Tangible fixed assets		615	461
Intangible fixed assets		317	1,288
TOTAL FIXED ASSETS		125,461	152,327
TOTAL ASSETS		147,668	176,473

Balance sheet at 31 December 2005

LIABILITIES

CHF 000	Notes	2005	2004
Short-term bank borrowings		5,000	-
Short-term payables to Group companies		13,450	17,700
Short-term payables to shareholders		870	2,634
Other short-term payables		1,243	2,737
Accruals and deferred income		5,700	8,061
Long-term payables to Group companies		13,463	18,172
TOTAL PAYABLES		39,726	49,304
Capital	II.4	13,671	13,624
Share premium		20,370	20,193
General reserve		13,284	13,284
Reserve for treasury shares		13,954	15,418
Other reserves		15,300	15,300
Retained earnings		31,363	49,350
TOTAL SHAREHOLDERS' EQUITY		107,942	127,169
TOTAL LIABILITIES		147,668	176,473

Notes to the Company financial statements

I. Basis of presentation

Compagnie Financière Tradition's financial statements have been drawn up in accordance with accounting principles prescribed by Swiss law. The accounting principles applied in the preparation of the financial statements remain unchanged from 31 December 2004.

II. Notes to the balance sheet

II.1 Equity investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Capital CHF 000	Percentage shareholding %		Acquisition price CHF 000	
		2005	2004	2005	2004
Tradition Service Holding S.A., Lausanne	CHF 21,350	100.00	100.00	21,242	21,242
TFS, Lausanne	CHF 3,916	99.53	98.79	49,943	49,131
Tradcom Management, Lausanne	CHF 100	-	100.00	-	100
Tradificom International, Lausanne	CHF 200	100.00	100.00	200	100
Cofitra Investments Inc., British Virgin Islands	USD 5,000	100.00	100.00	8,880	8,880
StreamingEdge.com Inc., New Jersey	USD 1,000	60.00	60.00	1,698	1,698
Other equity investments				920	920
GROSS TOTAL				82,883	82,071
Valuation allowance				-1,853	-2,451
NET TOTAL				81,030	79,620

Tradition Service Holding S.A. and TFS are sub-holding companies which in turn hold significant interests in companies brokering financial and non-financial products for a broad clientele, consisting mostly of financial institutions and large corporations. Tradificom International, which took over Tradcom Management on 1 January 2005, is an information technology and telecommunications company serving companies within the Group. Cofitra Investments Inc. is a finance company which has been inactive since 1988. StreamingEdge.com Inc. develops online transactional platforms.

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 2005 and 2004, translated at the exchange rates prevailing on those dates. These provisions amounted to CHF 1,853,000 at 31 December 2005 against CHF 2,451,000 at 31 December 2004, giving rise to a reversal of provisions of CHF 598,000 in 2005. This amount was recognised under exceptional income.

II.2 Fire insurance value of tangible fixed assets

At 31 December 2005, the insurance value of furniture and installations stood at CHF 941,000 (CHF 672,000 at 31 December 2004).

II.3 Liabilities/receivables towards employee pension funds

Current receivables from employee pension funds amounted to CHF 56,000 at 31 December 2005 (liabilities of CHF 42,000 at 31 December 2004).

II.4 Capital

Composition of capital

At 1 January 2003, the Company's capital was CHF 13,261,750, comprised of 5,304,700 bearer shares of CHF 2.50 nominal value.

In November 2003, 96,669 new shares were created at a unit price of CHF 118.00, increasing capital by CHF 241,672, with a share premium of CHF 11,165,270.

At 31 December 2003, share capital was comprised of 5,401,349 bearer shares of CHF 2.50 nominal value, for a total capital of CHF 13,503,422.

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

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

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

At 31 December 2005, share capital consisted of 5,468,357 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,670,892.

Major shareholders

The only shareholder to hold over 5.00% of the voting rights in Compagnie Financière Tradition at 31 December 2005 was VIEL et Compagnie Finance, with a 67.43% holding, against 70.42% at 31 December 2004.

Notes to the Company financial statements

VIEL et Compagnie Finance holds these voting rights indirectly through Financière Vermeer BV, Amsterdam, a company wholly owned by VIEL & Cie, Paris, in which in turn VIEL et Compagnie Finance held a 54.78% interest at 31 December 2005.

Authorised capital

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

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

Conditional capital

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

There were 462,094 employee share options outstanding at 31 December 2005, representing a potential capital increase of CHF 1,155,235. These options give the right to subscribe one share of CHF 2.50 nominal value.

	No. of shares of CHF 2.50 nominal value	Potential capital increase CHF	Start of exercise date	Expiry date	Exercise price CHF
Plan of 10.03.00	266,000	665,000	88,800 securities on 10.03.01 88,800 securities on 10.03.02 88,400 securities on 10.03.03	09.03.12	60.00
Plan of 17.05.02	40,000	100,000	40,000 securities on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 securities on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 securities on 08.09.05	07.09.13	92.25
TOTAL	462,094	1,155,235			

Moreover, the Company's capital may be increased by up to CHF 5,000,000 through the issuance of up to 2,000,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out through the exercise of conversion rights, granted in relation to the Company's issuance of bonds or similar convertible debt securities on the national and international capital markets. The pre-emptive rights of existing

shareholders are cancelled. The conditions of issue of such borrowings shall be defined by the Board of Directors, with a conversion right based on an issue price of no less than the average market price during the twenty days preceding the issue. Shareholders' pre-emptive right to subscribe such borrowings is cancelled. Conversion rights must be exercised within five years of the issue date, after which they expire.

II.5 Treasury shares

At 31 December 2005, the Company held 123,681 treasury shares of CHF 2.50 nominal value, for an acquisition value of CHF 13,954,000. An analysis of movements in these shares during the period is shown below:

	Book value CHF 000	Acquisition or redemption price CHF 000	No. of shares of CHF 2.50 nominal value
Situation at 1 January 2005	15,125	15,125	136,263
Acquisitions	671	671	5,500
Disposals	-2,135	-2,108	-18,082
Realised gains and losses	-	-27	-
Reversal of provision for unrealised losses	293	293	-
Situation at 31 December 2005	13,954	13,954	123,681

The average transaction prices for acquisitions and disposals of treasury shares during the 2005 financial year were CHF 122.0 and CHF 117.0 respectively.

III. Notes to the income statement

III.1 Operating income

Dividends received from subsidiaries in 2005 amounted to CHF 6,359,000 (2004: CHF 6,842,000).

III.2 Exceptional income

A profit of CHF 3,794,000 was recognised on the disposal of Compagnie Financière Tradition's two seats on the New York Stock Exchange (NYSE) in June 2005. These were sold for CHF 6,240,000, compared with a net book value of CHF 2,446,000.

Notes to the Company financial statements

Exceptional income included the reversal of a provision for investments in an amount of CHF 598,000 at 31 December 2005, and a provision for other long-term investments in an amount of CHF 900,000.

III.3 Exceptional expenses

Exceptional expenses relate to provisions for receivables from Group companies, in an amount of CHF 659,000 at 31 December 2005.

IV. Additional disclosures

IV.1 Guarantees and conditional commitments given

At 31 December 2005, Compagnie Financière Tradition guaranteed credit limits granted to its subsidiary Tradition Service Holding S.A., by means of joint and several guarantees of USD 18,000,000 and CHF 69,300,000, and by pledging all the securities representing its holding in IFX Group plc. 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. The other guarantees and commitments to third parties amounted to CHF 16,000.

Lastly, comfort letters were issued in favour of two of its indirectly held subsidiaries:

- Letter of 27 January 1988 to the Bank of England confirming a standby commitment in favour of Tradition (UK) Ltd, London, with no stated limit,
- Letter of 8 February 1988 to the Bank of England confirming standby commitment in favour of Tradition Financial Services Ltd, London, with no stated limit.

Leasing commitments

CHF 000	2005	2004
Remaining term of contract less than 1 year	681	912
Remaining term of contract between 1 and 5 years	1,702	4,560
Remaining term of contract more than 5 years	-	-
TOTAL	2,383	5,472

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

IV.2 Guarantees and conditional commitments received

When VIEL 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. 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 2005, 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 Compagnie Financière Tradition's residual receivables to CHF 4,964,000 at 31 December 2005 (CHF 6,050,000 at 31 December 2004).

Proposed appropriation of available retained earnings

CHF 000	2005	2004
AVAILABLE RETAINED EARNINGS		
Retained earnings brought forward	17,282	25,264
Movements in the reserve for treasury shares	1,464	-8,051
Net profit for the year	12,617	32,137
AVAILABLE RETAINED EARNINGS AT 31 DECEMBER	31,363	49,350
PROPOSED TRANSFER FROM OTHER RESERVES TO DISTRIBUTABLE PROFITS		
Transfer from other reserves to available retained earnings	15,300	-
DISTRIBUTION OF 2004 RETAINED EARNINGS AND RECOMMENDATION FOR THE APPROPRIATION OF 2005 AVAILABLE RETAINED EARNINGS		
Available retained earnings after transfer from other reserves	46,663	49,350
Dividend	- 32,810	-32,810
Dividend on treasury shares	-	742
RETAINED EARNINGS	13,853	17,282

A dividend of CHF 6.0 per CHF 2.50 share was paid in the 2004, for a total payment of CHF 32,810,000 for the 2004 financial year.

The Board of Directors will be recommending a dividend of CHF 6.0 per CHF 2.50 share to the Annual General Meeting of Shareholders to be held on 17 May 2006, for a total distribution of CHF 32,810,000 for the 2005 financial year.

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