

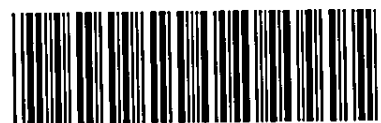
Tradition London Clearing Limited

Annual Report and Financial Statements

31 December 2007

Registered No 3633863

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COMPANIES HOUSE

Tradition London Clearing Limited

Registered No 3633863

Directors

P A Brault
P Regan
W P F N Wostyn

Secretary

M Hofman

Auditors

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

Bankers

NatWest
116 Fenchurch Street
London EC3M 5AN

Solicitors

Mayer Brown Rowe & Maw
11 Pilgrim Street
London EC4V 6RU

Registered Office

Beaufort House
15 St Botolph Street
London EC3A 7DT

Directors' report

The directors present their report and financial statements of the company for the year ended 31 December 2007

Results and dividends

The loss after tax for the year after tax was £2,709 (2006 - £328,375) as shown in the profit and loss account on page 6. The directors do not propose a dividend and propose that the loss is transferred to reserves.

Principal activity and review of the business

The company's principal activity during the year continued to be the provision of clearing services to other group companies.

The company's key financial and other performance indicators during the year were as follows:

	2007	2006	Change (%)
	£	£	
Company turnover	1,951,083	1,495,390	+ 30%
Administrative expenses	2,053,526	2,001,638	+3%
Operating loss	(102,443)	(506,248)	-80%
Shareholders' funds	1,235,288	987,997	+25%
Current assets as % of current liabilities	100%	100%	
Average number of employees	11	10	

Company turnover increased by 30% during the year, is primarily due to favourable market conditions and an increase in the volume of transactions.

Principal risk

The principal risk to the company is that of credit risk, the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. It is company policy to monitor failed trades and non-delivered trades on a daily basis in order to minimise such losses.

Future developments

In the directors' opinion the company's affairs and future prospects are satisfactory, due to the continued support of the parent company, Tradition Service Holding SA.

Capital management

Responsibility for capital planning is delegated to the CFO reporting through the Finance Committee to the CEO and Board of Directors. All capital adjustments are to be proposed by the CFO to the CEO and Board and require the approval of the CEO and at least one Non-Executive Director.

Capital is obtained from two sources: internally generated capital, and shareholders' funds. Shareholder funds are obtained via Group Treasury.

Directors' report

Directors and their interests

The directors who served during the full financial year were as follows

P A Brault	
G Craggs	(resigned 30 September 2007)
N M Gleeson	(appointed 18 May 2007, resigned 15 March 2008)
R M Houldsworth	(resigned 24 November 2007)
W P F N Wostyn	(appointed 18 December 2007)

The following director was appointed after the year-end

P Regan	(appointed 31 March 2008)
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None of the directors had any interests in the share capital of the company or any other UK group company at any time during the year

Audit information

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Company Secretary

31 March 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report

to the members of Tradition London Clearing Limited

We have audited the financial statements of Tradition London Clearing Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
London

Date 31 March 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	1,951,083	1,495,390
Total administrative expenses		(2,053,526)	(2,001,638)
Operating loss	3	(102,443)	(506,248)
Net interest receivable		119,275	37,443
Gain/(loss) on ordinary activities before taxation		16,832	(468,805)
Taxation	6	(19,541)	140,430
Loss for the year	13	(2,709)	(328,375)
Retained loss brought forward		(1,012,003)	(683,628)
Retained loss carried forward		(1,014,712)	(1,012,003)

The Statement of Total Recognised Gains and Losses has not been provided as there are no recognised gains or losses other than the loss for the year

The Profit and Loss account is derived from continuing operations

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 £
Tangible fixed assets	7	59,684	82,016
Current assets			
Debtors	8	934,790,642	703,952,632
Cash at bank and in hand	9	836,318	2,979,156
		935,626,960	706,931,788
Creditors amounts falling due within one year	11	(934,451,356)	(706,025,807)
Net current assets		1,175,604	905,981
Net assets		1,235,288	987,997
Capital and reserves			
Called up share capital	12	2,250,000	2,000,000
Profit and loss account	13	(1,014,712)	(1,012,003)
		1,235,288	987,997

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

Patrice Bault, CEO

Director

31 March 2008



Notes to the financial statements

at 31 December 2007

1. Accounting policies

The financial statements are prepared under the historical cost convention in accordance with United Kingdom Generally Accepted Accounting Practice

Foreign currency translation

The financial statements are presented in sterling, which is the functional currency of the company

Monetary assets and liabilities are expressed in sterling at spot market rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the rates ruling when acquired or issued, respectively. Income and expenses expressed in foreign currency are translated into sterling using the rates of exchange ruling at the transaction dates. Translation differences are dealt with in the profit and loss account.

Revenue recognition

Revenue comprises clearing fees which are recognised on trade date basis.

Net interest receivable

Interest is received from financial institutions, and is accounted for on an accruals basis. All interest receivable relates to third parties.

Depreciation

Depreciation is provided on the cost of all tangible fixed assets in use during the year at a rate calculated to write off the cost less estimated residual value of each asset over its expected useful life. The following annual rate is used:

Equipment	20%
Computer software	33 $\frac{1}{3}$ %

Deferred taxation

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

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits within the company from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Clients' deposits

The company holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority. Such monies and the corresponding liability to clients are included on the balance sheet.

2. Turnover

Turnover represents income earned from continuing operations (net of VAT) in connection with the provision of clearing services (all of which were provided in the United Kingdom).

3. Operating loss

This is stated after charging/(crediting)

	2007	2006
	£	£
Auditors' remuneration – audit services	49,296	80,800
Exchange (gain)/loss	(11,623)	8,866
Depreciation of tangible fixed assets	48,144	41,687
	<u> </u>	<u> </u>

4. Employees

During the year one director received aggregate emoluments of £175,000 (2006: £140,000) in respect of his services as director of the company. All other directors were remunerated by other group companies in respect only to their services to these other group companies.

	2007	2006
	No	No
Average number of employees (including directors)	11	10
	<u> </u>	<u> </u>

Employee costs during the year were as follows

	2007	2006
	£	£
Wages and salary costs	662,260	628,558
Social security costs	70,341	85,976
	<u> </u>	<u> </u>
	732,601	714,534
	<u> </u>	<u> </u>

5. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2007	2006
	£	£
Contributions payable by the company for the year	8,050	6,813
	<u> </u>	<u> </u>

There were no unpaid contributions at 31 December 2007 (2006: £Nil).

Notes to the financial statements

at 31 December 2007

6. Taxation

	2007 £	2006 £
The tax charge / (credit) is made up as follows		
UK corporation tax	26,060	(132,333)
Deferred tax	(6,519)	(8,097)
	<u>19,541</u>	<u>(140,430)</u>

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

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	16,832	(468,805)
At standard rate of UK corporation tax of 30% (2006 - 30%)	<u>5,050</u>	<u>(140,642)</u>
Effect of		
Adjustments for prior year taxation	13,207	3,064
Disallowed expenditure	958	289
Depreciation in excess of capital allowances	6,845	4,956
Current tax credit for the year	<u>26,060</u>	<u>(132,333)</u>

7. Tangible fixed assets

	Equipment £	Computer Software £	Total £
Cost			
At 31 December 2006	214,647	—	214,647
Additions in year	11,771	14,041	25,812
At 31 December 2007	<u>226,418</u>	<u>14,041</u>	<u>240,459</u>
Depreciation			
At 31 December 2006	132,631	—	132,631
Charge for the year	43,854	4,290	48,144
At 31 December 2007	<u>176,485</u>	<u>4,290</u>	<u>180,775</u>
Net book value			
At 31 December 2007	<u>49,933</u>	<u>9,751</u>	<u>59,684</u>
At 31 December 2006	<u>82,016</u>	<u>—</u>	<u>82,016</u>

Notes to the financial statements

at 31 December 2007

8. Debtors

	2007	2006
	£	£
Amounts due from parent company and fellow subsidiaries	137,242	10,972
Prepayments	64,316	155,280
Due from clearing houses	934,572,305	703,637,771
Deferred taxation (see Note 10)	4,562	–
Staff loans	12,218	–
Corporation tax recoverable	–	148,609
	<u>934,790,643</u>	<u>703,952,632</u>

9. Cash at bank and in hand

Included in cash at bank and on hand are balances of £68,594 (2006 £32,242) held by the company in trust on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority

10. Deferred taxation asset / (liability)

	2007	2006
	£	£
Accelerated capital allowances		
At start of year	(1,957)	(10,054)
Decrease during the year	6,519	8,097
At end of year	<u>4,562</u>	<u>(1,957)</u>

11. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts due from parent company and fellow subsidiaries	742,539	3,179,840
Trade creditors	932,835,518	702,603,017
Other creditors and accruals	859,134	240,993
Deferred taxation (see Note 10)	–	1,957
Corporation tax	12,853	–
Other taxes	1,312	–
	<u>934,451,356</u>	<u>706,025,807</u>

Notes to the financial statements

at 31 December 2007

12. Authorised and issued share capital

	2007 £	2006 £
10,000,000 authorised ordinary shares of £1 each	10,000,000	10,000,000
Allotted, called up and fully paid ordinary shares of £1 each	2,250,000	2,000,000
All shares have one vote and participate equally in the event of the winding up of the company		

13. Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2006	2,000,000	(683,628)	1,316,372
Loss for the year	–	(328,375)	(328,375)
At 31 December 2006	2,000,000	(1,012,003)	987,997
Shares issued	250,000	–	250,000
Loss for the year	–	(2,709)	(2,709)
At 31 December 2007	2,250,000	(1,014,712)	1,235,288

14. Ultimate parent company

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

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

15. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties that are part of Viel et Cie Finance group or investees of the group on the grounds that consolidated financial statements are prepared by its parent company.

Notes to the financial statements

at 31 December 2007

16. Statement of cash flows

The company has taken advantage of the exemption in Financial Reporting Standard 1 from disclosing a statement of cash flows on the grounds that 100% of voting rights are controlled within the group and financial statements are prepared by its parent company