

Report of the independent financial auditors

To the shareholders of S.W.I.F.T. SCRL

We have audited the accompanying financial statements of S.W.I.F.T. SCRL, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of S.W.I.F.T. SCRL as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Reviseurs d'Entreprises SCCRL
represented by



Marc Van Steenvoort

Partner
Brussels, 16 March 2007

Security audit statement

The Directors and Management acknowledge their responsibility for maintaining an effective system of internal control in respect of the SWIFTNet and FIN services. SWIFT has put in place controls based on the ISO 17799 standard, to support its control objectives in relation to governance, confidentiality, integrity, availability and change management.

Management is satisfied that, for the period 1 January 2006 to 31 December 2006, the control policies and procedures relating to the SWIFTNet and FIN services were operating with sufficient effectiveness to provide reasonable assurance that appropriate governance was in place and the confidentiality, integrity, availability and change management objectives were met. The control objectives were specified by SWIFT Management.

PricewaterhouseCoopers were retained by the Directors to review the control policies and controls, both manual and computer-based, related to the FIN and SWIFTNet messaging services, specified by SWIFT Management for the period 1 January 2006 to 31 December 2006.

Their examination was made in accordance with the SAS 70 standard established by the American Institute of Certified Public Accountants and their report covered both controls placed in operation and tests of operating effectiveness, as specified in the standard. The SAS 70 report, which includes the PricewaterhouseCoopers independent report prepared within the SAS 70 framework as well as all noted observations, has been discussed and reviewed by SWIFT's Audit and Finance Committee. The report was provided to all Board members.

Copies of the SAS 70 report are available to shareholding institutions or registered SWIFT users by request to the Board Secretariat of SWIFT.

Consolidated statement of income year ended 31 December

(in thousands)	Note	2006 EUR	Restated* 2005 EUR
Revenues			
Traffic revenues	2	352,991	346,410
One-time revenues		8,577	6,063
Recurring revenues	3	97,060	94,685
Interface revenues	4	100,581	81,273
Other operating revenues	5	3,228	7,480
		562,437	535,911
Expenses			
Royalties and cost of inventory	6	(18,769)	(13,181)
Payroll and related charges	7	(242,126)	(221,786)
Network expenses	8	(26,205)	(29,948)
Rental, maintenance, office and outside service expenses	9	(179,604)	(151,907)
Depreciation of property, plant and equipment	13	(44,589)	(44,129)
Amortisation of intangible fixed assets	14	(9,110)	(43,485)
Other expenses	10	(18,257)	(19,816)
		(538,660)	(524,252)
Profit from operating activities		23,777	11,659
Financial income and expenses	11	5,103	4,178
Share of associated companies' gain	15	549	–
Profit before tax		29,429	15,837
Income tax expense	12	(4,700)	(7,435)
Net profit		24,729	8,402

Consolidated statement of recognised income and expense ('SoRIE')

(in thousands)	2006 EUR	2005 EUR
Net profit	24,729	8,402
Income and expense recognised directly in net assets attributable to members		
Foreign currency translation	125	(9)
Net unrealised gains on financial instruments	182	3,012
Recognition of actuarial gains and losses	(3,623)	(11,302)
Deferred taxes recognised in net assets attributable to members	1,202	2,813
Income and expense recognised in net assets attributable to members	22,615	2,916

* See Note 1 for further detail.

The accompanying notes on pages 35 to 54 are an integral part of these financial statements.

Consolidated balance sheet
year ended 31 December

(in thousands)	Note	2006 EUR	Restated* 2005 EUR
Non-current assets			
Property, plant and equipment	13	136,831	144,105
Intangible assets	14	16,032	18,555
Investments in associated companies	15	549	–
Securities investments	16	–	–
Deferred income tax assets	17	20,763	17,070
Total non-current assets		174,175	179,730
Current assets			
Cash and cash equivalents		137,090	107,753
Trade receivables	18	60,377	56,113
Other receivables	19	11,472	19,147
Prepayments to suppliers	20	55,059	27,151
Inventories	21	5,444	6,344
Prepaid taxes	22	29,819	28,073
Total current assets		299,261	244,581
Total assets		473,436	424,311
Net assets attributable to members**	23	237,973	215,602
Non-current liabilities			
Long-term employee benefits	24	69,444	61,702
Deferred income tax liabilities	17	10,647	9,459
Total non-current liabilities		80,091	71,161
Current liabilities			
Amounts payable to suppliers	26	21,673	16,553
Short-term employee benefits	27	56,872	57,986
Short-term provisions	28	3,818	4,516
Other liabilities	29	53,496	24,515
Advance payments from current and prospective members		427	1,003
Current portion of non-interest bearing deposits	25	–	6,659
Accrued taxes	30	19,086	26,316
Total current liabilities		155,372	137,548
Total liabilities including net assets attributable to members		473,436	424,311

* See Note 1 for further detail.

** The Company has adopted IAS 32 'Financial Instruments: Disclosure and Presentation', and IFRIC interpretation 2 'Members' shares in cooperative entities and similar instruments', which require the Company's member shares, share premium, and retained earnings to be presented as net assets attributable to members.

The accompanying notes on pages 35 to 54 are an integral part of these financial statements.

Consolidated statement of cash flows year ended 31 December

(in thousands)	2006 EUR	Restated 2005 EUR
Cash flow from operating activities		
Profit from operating activities	23,777	11,659
Depreciation of property, plant and equipment	44,589	44,129
Amortisation of intangible fixed assets	9,110	43,485
Net loss and write-off on sale of property, plant and equipment, and intangible assets	1,691	298
Other non-cash operating losses	13,860	31,571
Actuarial losses reported in the SoRIE	(2,360)	(10,362)
Net unrealised gains on financial instruments reported in the SoRIE	120	1,988
Changes in net working capital	(3,312)	(1,128)
Net cash flow before interest and tax	87,475	121,640
Interest received	5,299	3,197
Interest paid	(675)	(577)
Tax paid	(9,581)	(12,629)
Net cash flow from operating activities	82,518	111,631
Cash flow from investing activities		
Capital expenditures		
Property, plant and equipment	(37,856)	(57,107)
Intangibles	(7,879)	(9,501)
Proceeds from sale of fixed assets	138	406
Net cash flow from investing activities	(45,597)	(66,202)
Cash flow from financing activities		
Reimbursement of non-interest bearing deposits	(6,994)	(3,930)
Net payments for reimbursement of contributions	(244)	(297)
Net cash flow from (used in) financing activities	(7,238)	(4,227)
Increase/(decrease) of cash and cash equivalents	29,683	41,202
Movement in cash and cash equivalents		
At the beginning of the year	107,753	66,333
Increase/(decrease) of cash and cash equivalents	29,683	41,202
Effects of exchange rate changes	(346)	218
At the end of the year	137,090	107,753
Cash and cash equivalent components are:		
Cash	22,650	2,546
Liquid money market products	114,440	105,207
At the end of the year	137,090	107,753

The accompanying notes on pages 35 to 54 are an integral part of these financial statements.

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of the Society for Worldwide Interbank Financial Telecommunication SCRL (in abbreviation S.W.I.F.T. SCRL) for the year ended 31 December 2006, were authorised for issuance in accordance with a resolution of the Board of Directors on 15 March 2007 and will be proposed for approval at the Annual General Meeting of 13 June 2007.

The registered office of S.W.I.F.T. SCRL is located at Avenue Adele 1, B-1310 La Hulpe, Belgium.

S.W.I.F.T. SCRL is the financial industry-owned cooperative supplying secure, standardised messaging services and interface software to 8,100 financial institutions. SWIFT's worldwide community includes banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade.

S.W.I.F.T. SCRL operates in 207 countries and employed 1,890 employees as of 31 December 2006.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of S.W.I.F.T. SCRL have been prepared in accordance with International Financial Reporting Standards (IFRSs) and are presented in thousands of EUR. The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of derivatives and available-for-sale investment securities as required by IFRSs. The significant accounting policies used in the preparation of these financial statements are set out below.

Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Changes in accounting standards

Certain new or modified IFRSs became effective for financial statements covering periods beginning on or after 1 January 2006. It was concluded that these have no significant impact on the financial statements of the Company.

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting standard has not had a significant impact on the financial statements of the Company as at 31 December 2006.

In 2006, the Company decided to report all actuarial gains and losses directly in the statement of recognised income and expenses ('SoRIE') in accordance with IAS 19 (revised 2004). In accordance with IAS 8 'changes in accounting policy' the 2005 balances have been restated in order to provide meaningful comparatives. Other IFRSs have been consistently applied compared to last year.

New Standards and Interpretations, that have been issued but are not yet effective, have not been applied. The impact of initial application of these Standards and Interpretations has not yet been determined.

Principles of consolidation

The consolidated financial statements comprise the accounts of S.W.I.F.T. SCRL (the parent company including the branches) and its subsidiaries.

In preparing the consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis and all material intercompany transactions are eliminated. Consistent accounting policies are used across the Group.

Notes to the consolidated financial statements

Summary of significant accounting policies (continued)

The subsidiaries of the Group are listed hereafter:

Name	% ownership	Country of registration
S.W.I.F.T. Services Australia Pty Ltd.	100.00	Australia
S.W.I.F.T. Para A América Latina	100.00	Brazil
S.W.I.F.T. Switzerland GmbH	100.00	Switzerland
S.W.I.F.T. Germany GmbH	100.00	Germany
S.W.I.F.T. Iberia SL	100.00	Spain
S.W.I.F.T. France S.A.S.	100.00	France
S.W.I.F.T. Securenet Ltd.	100.00	United Kingdom
S.W.I.F.T. Far East Ltd.	99.00	Hong Kong
S.W.I.F.T. Ireland	100.00	Ireland
S.W.I.F.T. Italy S.r.l.	100.00	Italy
S.W.I.F.T. Japan Ltd.	100.00	Japan
S.W.I.F.T. RE (Luxembourg) S.A.	99.99	Luxembourg
S.W.I.F.T. Nordic AB	100.00	Sweden
S.W.I.F.T. Terminal Services Pte. Ltd.	100.00	Singapore
S.W.I.F.T. Pan-Americas Inc.	100.00	United States of America
S.W.I.F.T. (Dubai) Limited	100.00	United Arab Emirates
S.W.I.F.T. SA Pty Ltd.	100.00	South Africa

Investments in associates

Investments in associates over which the Company has significant influence are accounted for under the equity method of accounting. The Company performs impairment analysis in accordance with the provisions of IAS 36, Impairment of Assets, to ensure that the assets are carried at no more than their recoverable amount. The Company's investments in associates consist of a 20 percent ownership in AccuMatch AG (Switzerland).

Securities investments

Securities investments are carried at fair value. This may imply the use of reasonable estimates unless published price quotations or appropriate valuation models are available. The Company performs impairment analysis in accordance with the provisions of IAS 36, Impairment of Assets, to ensure that the assets are carried at no more than their recoverable amount.

Property, plant and equipment

Land and buildings, plant and equipment, leasehold improvements and office furniture and equipment are carried at cost less accumulated depreciation. The rates of depreciation used are described in Note 13.

Leasehold improvements are depreciated over the term of the leases, using the straight-line method commencing in the month of actual use of the asset for the operations of the Company. Government capital grants are deducted from the related fixed assets to arrive at the carrying amount of the asset. The net cost is depreciated using the straight-line method and recognised in the income statement over the useful life of the related assets. Government interest subsidies are recognised in the income statement over the same period as the related interest charges.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying amounts exceed these estimated recoverable amounts, assets are written down to their recoverable amounts.

Impairment tests are performed when there is an indication that the asset could be impaired.

Summary of significant accounting policies (continued)

Intangible assets

Intangible assets include acquired software licences and capitalised development costs. Intangible assets are amortised using the straight-line method commencing in the month of actual use of the asset for the operations of the Company. Amortisation rates are detailed in Note 14.

Research and Development costs are accounted for in accordance with IAS 38, Intangibles. Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if the conditions as outlined in IAS 38 are complied with. This includes essentially that the technical feasibility of completing the intangible asset for it to be available for sale or use can be demonstrated and that the intangible asset will generate probable future economic benefits. The intangible assets arising from development are amortised over the useful economic lives. At each balance sheet date, the Company assesses whether there is any indication of impairment in accordance with IAS 36, Impairment of Assets. If any such indication exists, the recoverable amount is estimated.

Provisions

Provisions are recognised in accordance with IAS 37 when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Income taxes

Current income taxes are based on the results of the parent company and subsidiaries and are calculated according to local tax rules.

Deferred income tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax basis of the assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that apply for the period when the asset will be realised or the liability will be settled based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are recognised on all temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

No provision is made for taxes which may be withheld on possible future distribution of earnings retained by subsidiaries, as there is no current intention to distribute retained earnings to the parent company.

Financial instruments

The Company uses derivative financial instruments such as foreign exchange forward and option contracts to hedge its risks associated with foreign currency fluctuations. It is the Company's policy not to trade in derivative financial instruments. Details of the Company's financial risk management objectives and policies are set out in Note 33.

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001. The derivative financial instruments are recognised accordingly at fair value on the balance sheet.

For the purposes of hedge accounting, hedges are classified into three categories:

- (a) fair value hedges to hedge the exposure to changes in the fair value of a recognised asset or liability;
- (b) cash flow hedges to hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; and
- (c) hedges of a net investment in a foreign entity.

In case of forward hedging contracts, including the ones part of RKI's/RKO's that meet the conditions for specific hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised, according to cash flow hedge accounting, immediately in the SoRIE. Qualitative tests are used to assess hedge effectiveness.

Notes to the consolidated financial statements

Summary of significant accounting policies (continued)

When the hedged firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in the SoRIE are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses, which are recognised in the SoRIE are transferred to the profit and loss accounts in the same period in which the hedged firm commitment or forecasted transaction affects the profit and loss accounts (such as when the forecasted sale actually occurs). Hedges of a net investment in a foreign entity are accounted for similarly to cash flow hedges.

The Company qualifies the hedging relationship as cash flow hedge and as soon as hedged item is recognised, fair value hedge accounting is applied: fair market value changes of the hedged item and the hedging instrument are recognised in the profit and loss accounts.

In case of option hedging contracts, including the ones part of RKI's/RKO's, the portion of the gain or loss on the hedging instrument is recognised directly in the profit and loss accounts. The Company has decided not to qualify the exotic and vanilla options as hedge accounting even though all instruments qualify for economic hedges.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as investments in liquid money market products. These are carried at market value.

Inventories

Inventories mainly comprise software licences, encryption and security devices for resale to end-customers.

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. Net realisable value is the amount that can be realised from the sale of the inventories in the normal course of business after allowing for the costs of realisation.

Trade receivables

Trade receivables, which generally have 40–90 days payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An impairment loss is recognised for any difference between carrying amount and recoverable amount. Receivables from related parties are recognised and carried at nominal value.

Pension schemes

S.W.I.F.T. SCRL operates a number of defined benefit pension plans covering primarily its Belgian, US and Dutch employees. Plan benefits are based on years of service and the employee's salary during the final years of employment. The funds are valued by a professional actuary on an annual basis.

In 2006, the Company decided to report all actuarial gains and losses in the SoRIE, as allowed under IAS 19 (revised 2004). In accordance with IAS 8 'changes in accounting policy' the 2005 balances have been restated in order to provide meaningful comparatives.

In addition to the defined benefit plans described above, S.W.I.F.T. SCRL makes contributions to defined contribution plans covering primarily employees in the UK and Hong Kong.

Details on the annual pension costs and the funded status for the defined benefit pension plans are disclosed in Note 24.

Summary of significant accounting policies (continued)

Revenues

Traffic revenues include:

- The amounts billed for messaging services;
- Amounts billed to a specific group of customers for matching services;
- Discounts and rebates on messaging services granted to customers.

One-time revenues consist of initial joining fees for members and participants, which are credited to income when all formalities have been completed, and connection fees.

Recurring revenues consist of fees charged to members and participants for the provision of services and equipment other than direct message transmission, revenues from conferences and training courses, provided by SWIFT to its customers.

Interface revenues consist of fees charged to members and participants for the sale of software which are recognised in income when delivered, as well as software maintenance charges which are recognised in revenues on a pro rata basis over the period of the agreement.

Other operating revenues comprise mainly the recovery of charges incurred on behalf of members, capital gains on the sale of fixed assets and other non-recurring items.

Foreign exchange differences

The Company's financial statements are presented in EUR, in accordance with IAS 21 'The effects of changes in foreign exchange rates'. The EUR is also the functional currency for all subsidiaries and branches of the Group except for Securenet Ltd. which has the Pound Sterling as functional currency.

Transactions in foreign currencies are initially translated to the functional currency at the exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate which applies at the balance sheet date. All differences are taken to profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates which applied at the dates of the initial transactions.

The assets and liabilities of Securenet Ltd. (monetary and non-monetary) are translated from its functional currency, the Pound Sterling, into the presentation currency of the Company, the EUR, at the exchange rate applicable at the balance sheet date, whereas its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising from this translation are recorded directly in the SoRIE.

Restatement

The 2005 financial statements have been restated following the consolidation of an international pension plan and the decision to report actuarial gains and losses directly in the SoRIE, according to IAS 19 (revised 2004).

The 2005 net profit has been restated from EUR 7,790 thousands as published to EUR 8,402 thousands for the reversal of amortised actuarial gains and losses and related deferred taxes. The consolidation of the international pension plan did not have a material impact on the 2005 net profit.

In addition, the 2005 balance of deferred tax assets and liabilities has been reclassified in the balance sheet in order to be presented net at the level of each individual legal entity.

Notes to the consolidated financial statements

Summary of significant accounting policies (continued) 2005 restatements

(in thousands)	2005 amounts as published	Restatement	2005 amounts as restated
Deferred income tax assets	11,787	5,283	17,070
Cash and cash equivalents	90,723	17,030	107,753
Current and non-current assets		22,313	
Net assets attributable to members	(225,053)	9,451	(215,602)
Long-term employee benefits	(37,125)	(24,577)	(61,702)
Deferred income tax liabilities	(12,989)	3,530	(9,459)
Short-term employee benefits	(54,574)	(3,412)	(57,986)
Accrued taxes	(19,011)	(7,305)	(26,316)
Current and non-current liabilities		(31,764)	
Payroll and related charges	(222,695)	909	(221,786)
Income tax expense	(7,138)	(297)	(7,435)
Impact on net profit		612	

2 Traffic revenues

The increase in traffic revenues from EUR 346.4 million in 2005 to EUR 353.0 million in 2006 is primarily explained by an increase of 13.7 percent in FIN traffic volumes. This increase is partly offset by continued message price reductions amounting to 10.7 percent compared to 2005 and a rebate on traffic revenues amounting to EUR 26.1 million versus EUR 23.2 million in 2005. The reduction in message prices results from the full-year impact of the July 2005 price reductions, and the decision by the Board of Directors to further lower overall pricing as of July 2006.

3 Recurring revenues

(in thousands)	2006 EUR	2005 EUR
Recurring connectivity revenues	33,812	33,077
Recurring service revenues	28,802	27,456
Documentation and directory services	15,844	15,106
Conferences	12,667	13,710
Education	5,935	5,336
	97,060	94,685

4 Interface revenues

The increase in interface revenues from EUR 81.3 million last year to EUR 100.6 million in 2006 is driven by the increase in the number of new interfaces sold, the implementation in 2006 of an annual invoicing cycle for band upgrades, and a stronger USD rate which applied when annual maintenance fees were invoiced in January 2006.

5 Other operating revenues

(in thousands)	2006 EUR	2005 EUR
Recoverable charges	1,249	2,250
Gain on sale of property, plant and equipment and intangible assets	112	44
Other	1,867	5,186
	3,228	7,480

The decrease in other operating revenues from EUR 7.5 million last year to EUR 3.2 million in 2006 is explained by the 2005 renewal of the terms and conditions to acquire FIN hardware and software, which resulted in the recognition of one-time discounts in 2005 which were partially offset by the recognition of related one-time expenses (see Note 10).

6 Royalties and cost of inventory

The increase in royalties and cost of inventory from EUR 13.2 million last year to EUR 18.8 million in 2006 is explained by the partial delivery of Hardware Security Modules. Following a decision by the Board of Directors in June 2006, those devices will be distributed free of charge to the SWIFT community in order to prepare for SWIFTNet Phase 2.

7 Payroll and related charges

(in thousands)	2006 EUR	2005 EUR
Salaries	158,218	149,949
Termination indemnities	1,153	3,925
Social security costs	30,565	28,367
Pension costs – defined contribution plans	3,260	1,591
Pension costs – defined benefit plans (Note 24)	17,681	13,358
Other post-retirement benefits (Note 24)	1,681	2,091
Insurance, training and other compensation and benefits	29,568	22,505
	242,126	221,786

The increase in salaries is explained by the increase of the average number of employees from 1,733 in 2005 to 1,827 in 2006, driven by the investments in *SWIFT2010* strategic initiatives, and the evolution of the remuneration of employees. This increase has been partially offset by gains from the weakening of the USD.

The increase in insurance, training and other compensation and benefits is mainly explained by an increase in employee insurances and one-time discounts recorded in 2005.

8 Network expenses

The decrease in network expenses from EUR 29.9 million last year to EUR 26.2 million in 2006 is explained by cost-saving initiatives and contract renegotiations.

Notes to the consolidated financial statements

9 Rental, maintenance, office and outside service expenses

(in thousands)	2006 EUR	2005 EUR
Rent of buildings	8,573	10,843
Software operating lease	10,646	1,535
Other rental costs	5,308	4,890
Repair and maintenance costs	41,984	43,077
General office expenses	8,619	7,730
Other outside service expenses	104,474	83,832
	179,604	151,907

The increase in software operating lease from EUR 1.5 million last year to EUR 10.6 million in 2006 is explained by the decision to lease certain software as of 2006 whereas previously those were purchased. This also explains the decrease in the amortisation charges (see Note 14).

The increase in other outside service expenses from EUR 83.8 million last year to EUR 104.5 million in 2006 is primarily explained by additional expenses linked to *SWIFT2010* strategic initiatives, and the preparation for the SWIFTNet Phase 2 migration.

10 Other expenses

(in thousands)	2006 EUR	2005 EUR
Taxes other than income taxes	4,217	4,008
Loss on sale or disposal of current and non-current assets	443	368
Changes in short-term and voluntary leave provisions (Notes 24, 27 and 28)	158	4,639
Accrued promotional expenses	12,913	6,877
Other	526	3,924
	18,257	19,816

The accrued promotional expenses include the estimated remaining costs to be incurred from the decision to offer the Hardware Security Modules free of charge and the 2006 impact of the SWIFTAlliance Starter Set promotional offer decided by the Board of Directors in 2005.

The decrease in other expenses is explained by the renewal of the terms and conditions to acquire FIN hardware and software, which resulted in the recognition of one-time expenses in 2005, which were compensated by related one-time discounts (see Note 5).

11 Financial income and expenses

(in thousands)	2006 EUR	2005 EUR
Interest income	10,473	3,197
Interest expenses	(675)	(577)
Net foreign exchange (losses)/gains	(1,152)	(2,487)
Net foreign exchange (losses)/gains on financial instruments	(3,297)	4,405
Bank charges	(397)	(407)
Other financial income	151	47
	5,103	4,178

The increase in interest income from EUR 3.2 million last year to EUR 10.5 million in 2006 is explained by the higher average cash position, the recognition of estimated net interests to be received on funds which have been blocked in a litigation with the Belgian tax authorities, and by the increased interest rates on the financial markets.

The evolution of net foreign exchange results and the net results on financial instruments is explained by the relative fluctuations on the foreign exchange markets, and is compensated by the positive effect of the weakening of the USD on the various captions of the income statement.

12 Income tax expense

Major components of the income tax expense are as follows:

(in thousands)	2006 EUR	2005 EUR
Current income taxes		
Domestic		
Current year tax expense	(6,439)	(7,276)
Adjustments of prior year tax income/(expense)	5,630	(154)
	(809)	(7,430)
Foreign		
Current year tax expense	(6,287)	(4,849)
Adjustments of prior year tax income/(expense)	1,093	886
	(5,194)	(3,963)
Current income tax expense	(6,003)	(11,393)
Deferred income taxes		
Domestic		
Current year tax income/(expense)	3,353	3,061
Adjustments of prior year tax income/(expense)	-	-
	3,353	3,061
Foreign		
Current year tax income	(1,797)	2,491
Adjustments of prior year tax income/(expense)	(253)	(1,594)
	(2,050)	897
Deferred income tax income/(expense)	1,303	3,958
Income tax expense	(4,700)	(7,435)

A reconciliation of the income tax charge calculated at the statutory rate of 33.99 percent to the Company's effective tax rate as applicable to the net result for the years ended 31 December 2006 and 2005 is included in the table below.

(in thousands)	2006 EUR	2005 EUR
Income tax charge at statutory rate	(10,003)	(5,383)
Adjustments of prior year current income tax expense	6,723	732
Adjustments of prior year deferred income tax expense	(253)	(1,594)
Effect of different tax rates in other countries	(252)	154
Tax incentives	573	-
Non deductible items	(1,488)	(1,344)
Income tax charge	(4,700)	(7,435)

The prior year adjustments reflected in the income tax expenses relate primarily to the evolution of pending issues and questions with tax authorities that allowed to adjust the income tax provisions.

The tax incentives mainly include the deduction of notional interests, which is allowed for Belgian companies as of 2006.

Notes to the consolidated financial statements

13 Property, plant and equipment

(in thousands)	Land and buildings EUR	Plant, machinery and equipment EUR	Work in progress EUR	Total EUR
2006				
Opening net book value	68,031	73,001	3,073	144,105
Foreign currency translation	–	5	–	5
Additions	5,019	26,742	6,094	37,855
Transfers	1,052	1,556	(2,683)	(75)
Disposals	–	(470)	–	(470)
Depreciation charges	(8,986)	(35,603)	–	(44,589)
Depreciation rates	3–10%	20–33%	–	–
Closing net book value	65,116	65,232	6,484	136,831
At 31 December 2006				
Cost	199,889	272,844	6,484	479,216
Accumulated depreciation	(134,773)	(207,612)	–	(342,385)
Net book value	65,116	65,232	6,484	136,831
2005				
Opening net book value	42,534	83,184	6,619	132,337
Foreign currency translation	–	8	–	8
Additions	15,259	18,904	22,944	57,107
Transfers	18,128	7,840	(26,490)	(522)
Disposals	(541)	(155)	–	(696)
Depreciation charges	(7,349)	(36,780)	–	(44,129)
Depreciation rates	3–10%	20–33%	–	–
Closing net book value	68,031	73,001	3,073	144,105
At 31 December 2005				
Cost	194,188	254,619	3,073	451,880
Accumulated depreciation	(126,157)	(181,618)	–	(307,775)
Net book value	68,031	73,001	3,073	144,105

The acquisition cost of property, plant and equipment is stated after deduction of government capital grants totaling EUR 7.1 million at 31 December 2006 (2005: EUR 7.1 million) and after inclusion of capitalised interest costs totalling EUR 1.8 million at 31 December 2006 (2005: EUR 1.8 million). The capitalised grants and interest costs are depreciated at the same rate as the assets to which they relate.

The additions of the year amounting to EUR 37.9 million consist mainly of renovation and extension of premises, hardware investments in the resilience and scaling of the FIN and SWIFTNet systems, and improvements to internal systems.

14 Intangible assets

(in thousands)	Concessions, patents and licences EUR	Capitalised development costs EUR	Work in progress EUR	Total intangible assets EUR
2006				
Opening net book value	17,392	793	370	18,555
Foreign currency translation	–	–	–	–
Additions	6,524	838	517	7,879
Transfers	242	437	(604)	75
Disposals/write-offs	(7)	(1,359)	–	(1,366)
Amortisation charges	(9,066)	(44)	–	(9,110)
Amortisation rates	20–33%	33%	–	–
Closing net book value	15,084	665	283	16,032
At 31 December 2006				
Cost	201,981	8,362	283	210,625
Accumulated amortisation	(186,897)	(7,697)	–	(194,593)
Net book value	15,084	665	283	16,032
2005				
Opening net book value	50,229	–	1,796	52,025
Foreign currency translation	–	–	–	–
Additions	8,739	392	370	9,501
Transfers	1,887	431	(1,796)	522
Disposals	(8)	–	–	(8)
Amortisation charges	(43,455)	(30)	–	(43,485)
Amortisation rates	20–33%	33%	–	–
Closing net book value	17,392	793	370	18,555
At 31 December 2005				
Cost	199,941	8,483	370	208,794
Accumulated amortisation	(182,549)	(7,690)	–	(190,239)
Net book value	17,392	793	370	18,555

The additions of the year amounting to EUR 7.9 million consist mainly of software investments in the further improvement of the internal systems and in the resilience and scaling of the SWIFTNet platform.

The amortisation charges are decreasing from EUR 43.5 million to EUR 9.1 million in 2006 following the decision to lease certain software as of 2006 whereas those were purchased before.

The write-off of capitalised development costs amounting to EUR 1.4 million in 2006 is explained by the decision of the Board of Directors to provide Hardware Security Modules free of charge to the SWIFT community in order to prepare for SWIFTNet Phase 2. This implied the write-off of related development costs which have been capitalised in 2005.

Notes to the consolidated financial statements

15 Investments in associated companies

The Company has a 20 percent interest in AccuMatch. In accordance with IAS 36, the carrying value of the investment in AccuMatch was reduced to zero in 2002 following the losses that this company incurred due to the bankruptcy of GSTP AG, its sole customer.

In 2006, the carrying value of the investment in AccuMatch has been increased to EUR 0.5 million following increased net equity in the accounts of AccuMatch in 2006.

The latest published financial statements of AccuMatch, dated 31 December 2005, are summarised below:

Year ended 31 December (in thousands)	2005 EUR
Total assets	2,839
Total equity	161
Total liabilities	2,678
Total equity and liabilities	2,839

These results exclude the positive evolution of the AccuMatch net equity during 2006.

16 Securities investments

SWIFT's interest in Bolero.net remains stable at 5.4 percent. This investment has been impaired for its carrying amount since 2000.

17 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities at 31 December are detailed as follows:

(in thousands)	2006 EUR	2005 EUR	Variation	Variation recognised in the SoRIE	Variation recognised in income statement	Balance sheet movement
Deferred income tax assets						
Property, plant and equipment	2,897	3,218	(321)	–	(321)	–
Provisions	19,692	16,802	2,890	1,254	1,636	–
Other temporary differences	1,138	580	558	584	(26)	–
Netting of deferred income tax assets and liabilities by legal entities	(2,964)	(3,530)	566	–	–	566
Gross deferred income tax assets	20,763	17,070	3,693	1,838	1,289	566
Deferred income tax liabilities						
Property, plant and equipment	(523)	(2,176)	1,653	–	1,653	–
Provisions	(10,635)	(9,432)	(1,203)	–	(1,203)	–
Other temporary differences	(2,453)	(1,381)	(1,072)	(636)	(436)	–
Netting of deferred income tax assets and liabilities by legal entities	2,964	3,530	(566)	–	–	(566)
Gross deferred income tax liabilities	(10,647)	(9,459)	(1,188)	(636)	14	(566)
Net deferred income tax assets/(liabilities)	10,116	7,611	2,505	1,202	1,303	–

The increase in the deferred income tax assets results mainly from the decision to recognise actuarial gains and losses directly in the statement of recognised income and expense ('SoRIE'), in accordance with IAS 19 (revised 2004).

18 Trade receivables

The increase in trade receivables from EUR 56.1 million in 2005 to EUR 60.4 million in 2006 is mainly explained by the growth in traffic and interfaces sales, which is partly offset by the traffic rebate which increased from EUR 23.2 million last year to EUR 26.1 million in 2006.

19 Other receivables

The decrease in other receivables from EUR 19.1 million last year to EUR 11.5 million in 2006 is driven by a decrease in recoverable VAT and credit notes to receive, which is partially offset by an increase in the market value of unrealised hedging contracts.

The decrease in recoverable VAT results from the refund in 2006 of VAT on important investments made in FIN hardware and software end 2005 and from the resolution of a litigation with the Dutch VAT administration.

20 Prepayments to suppliers

The increase in prepayments to suppliers from EUR 27.2 million in 2005 to EUR 55.1 million in 2006 is explained by advance payments which have been made on certain contracts in order to benefit from important commercial discounts.

21 Inventories

(in thousands)	2006 EUR	2005 EUR
Hardware	12,238	5,622
Impairment on hardware	(8,136)	(1,332)
Software	1,342	2,054
Total inventories	5,444	6,344

The increase in hardware inventory from EUR 5.6 million in 2005 to EUR 12.2 million in 2006 is explained by the partial delivery of Hardware Security Modules, which will be distributed free of charge following a decision by the Board of Directors.

22 Prepaid taxes

Prepaid taxes amount to EUR 29.8 million and include mainly funds which have been blocked pending the outcome of a litigation with the Belgian Tax Administration. The increase compared to 2005 is primarily explained by the evolution of the interests we expect to receive on those funds.

Notes to the consolidated financial statements

23 Changes in net assets attributable to members

(in thousands)	Number of units	EUR
Balance, 31 December 2004 (published)	86,219	155,862
Restatement following decision to report actuarial gains and losses in the statement of recognised income and expense	–	(5,674)
Restatement following consolidation of international pension plan	–	3,076
Balance, 31 December 2004 (restated)	86,219	153,264
Total recognised income and expense	–	2,916
Increase of contributions from members	26,110	59,794
Reimbursement of contributions to members	(158)	(372)
Balance, 31 December 2005 (restated)	112,171	215,602
Total recognised income and expense	–	22,615
Increase of contributions from members	30	82
Reimbursement of contributions to members	(129)	(326)
Reallocation of units	–	–
Balance, 31 December 2006	112,072	237,973

The units held by each Member are proportional to the annual contribution paid by each Member for the network-based services of the Company. The exact number of units allocated to each Member is determined at least every three years by the Board of Directors, and the Members have the obligation to give up or take up the resulting change in units. The bylaws of the Company state that units are only reimbursed when a Member resigns, or when a Member has to give up units following a reallocation.

The Annual General Meeting ratified in June 2006 a unit transfer value of EUR 2,540, which is applied for all subsequent increases and reimbursements of contributions.

24 Long-term employee benefits

(in thousands)	2006 EUR	2005 EUR
Long-term employee benefits		
Retirement benefit obligation	54,659	48,033
Voluntary leave provision	4,728	4,360
Other long-term employee benefits	10,057	9,309
Total long-term employee benefits	69,444	61,702

The retirement benefit obligation recognised on the balance sheet is as follows:

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
Present value of wholly or partly funded obligations	200,447	176,826	–	–	200,447	176,826
Present value of unfunded obligations	6,539	6,097	17,008	16,437	23,547	22,534
Defined benefit obligation	206,986	182,923	17,008	16,437	223,994	199,360
Fair value of plan assets	(171,634)	(151,327)	–	–	(171,634)	(151,327)
Unfunded liabilities	35,352	31,596	17,008	16,437	52,360	48,033
Unrecognised past service gains	–	–	2,299	–	2,299	–
Retirement benefit obligation	35,352	31,596	19,307	16,437	54,659	48,033

The unrecognised past service gain represents gains from unvested plan amendments.

24 Long-term employee benefits (continued)

The retirement benefit expenses recognised in the income statement are as follows:

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
Current service cost	14,706	12,590	1,413	1,283	16,119	13,873
Interest on obligation	8,665	7,707	879	808	9,544	8,515
Expected return on plan assets	(7,709)	(6,939)	–	–	(7,709)	(6,939)
Adjustment on past service cost	2,019	–	(611)	–	1,408	–
Amortisation on unrecognised past service gains	–	–	–	–	–	–
Total	17,681	13,358	1,681	2,091	19,362	15,449

The adjustment on past service cost is explained by regulatory changes which affected certain pension plans and the impact of new voluntary leave plans.

Retirement benefit obligation amounts recognised in net assets attributable to members are as follows:

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
At the beginning of the year	11,973	1,408	8,316	7,579	20,289	8,987
Actuarial (gain)/loss	2,332	9,196	3,118	(447)	5,450	8,749
Exchange rate differences	(963)	1,369	(864)	1,184	(1,827)	2,553
Total recognised in the SoRIE	1,369	10,565	2,254	737	3,623	11,302
At the end of the year	13,342	11,973	10,570	8,316	23,912	20,289

Movements in the retirement benefit obligation recognised on the balance sheet:

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
At the beginning of the year	31,596	22,786	16,437	12,806	48,033	35,592
Total expense as above	17,681	13,358	1,681	2,091	19,362	15,449
Employer contribution	(15,558)	(14,823)	(158)	(111)	(15,716)	(14,934)
Total recognised in the SoRIE	1,369	10,565	2,254	737	3,623	11,302
Exchange differences	264	(290)	(907)	914	(643)	624
At the end of the year	35,352	31,596	19,307	16,437	54,659	48,033

Notes to the consolidated financial statements

24 Long-term employee benefits (continued)

The following disclosure requirements under IAS 19 (revised 2004) were derived from reports obtained from externally recognised actuaries:

Change in defined benefit obligation (DBO):

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
At the beginning of the year	182,923	150,158	16,437	12,806	199,360	162,964
Current service cost	14,706	12,590	1,413	1,283	16,119	13,873
Interest on obligation	8,665	7,707	879	808	9,544	8,515
Adjustment of past service cost	2,019	–	(611)	–	1,408	–
Actual benefit payment	(3,845)	(5,838)	(158)	(111)	(4,003)	(5,949)
Actuarial (gains)/losses on DBO	6,357	13,991	3,118	(447)	9,475	13,544
Unrecognised past service gains	–	–	(2,299)	–	(2,299)	–
Exchange rate differences	(3,839)	4,315	(1,771)	2,098	(5,610)	6,413
At the end of the year	206,986	182,923	17,008	16,437	223,994	199,360

Change in fair value of plan assets:

(in thousands)	Pension schemes 2006 EUR	Pension schemes 2005 EUR	Post-employment medical benefits 2006 EUR	Post-employment medical benefits 2005 EUR	Total 2006 EUR	Total 2005 EUR
At the beginning of the year	(151,327)	(127,372)	–	–	(151,327)	(127,372)
Expected return on plan assets	(7,709)	(6,939)	–	–	(7,709)	(6,939)
Actual benefit payment	3,845	5,838	158	111	4,003	5,949
Employer contribution	(15,558)	(14,823)	(158)	(111)	(15,716)	(14,934)
Employee contribution	–	–	–	–	–	–
Actuarial (gains)/losses on plan assets	(4,025)	(4,795)	–	–	(4,025)	(4,795)
Other	–	–	–	–	–	–
Exchange rate differences	3,140	(3,236)	–	–	3,140	(3,236)
At the end of the year	(171,634)	(151,327)	–	–	(171,634)	(151,327)

The detail per class of plan asset is as follows:

Asset class	Belgium plan assets 2006 in %	The Netherlands plan assets 2006 in %	United States plan assets 2006 in %
Equities	22.0%	30.0%	90.0%
Bonds	78.0%	70.0%	10.0%
Cash	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

The expected rate of return on bonds is calculated based on the market yields available, while the expected rate of return on equities is calculated based on long- and short-term historical analysis as well as the forecast of investment manager.

24 Long-term employee benefits (continued)

The principal actuarial assumptions applied at 31 December were:

	Euro zone		USD zone	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Weighted average discount rate	4.50%	4.50%	5.75%	5.75%
Expected long-term rate of return on assets	5.00%	4.50% – 5.00%	6.50%	6.50%
Rate of increase in future salaries	4.00%	4.00%	4.00%	4.00%

The actual return on the plan assets amounted to EUR 11.8 million. The expected contribution for 2007 amounts to EUR 20.4 million.

25 Current and non-current portions of non-interest bearing deposits from members and participants

The short-term non-interest bearing deposit of EUR 6.7 million which was due to members who did not subscribe to the 2005 capital increase was reimbursed in April 2006.

26 Amounts payable to suppliers

The increase in amounts payable to suppliers from EUR 16.6 million last year to EUR 21.7 million in 2006 in the amounts payable to suppliers is the result of timing differences in the payment of invoices from suppliers.

27 Short-term employee benefits

(in thousands)	2006 EUR	2005 EUR
Short-term employee benefits		
Social security and payroll liabilities	54,016	55,618
Voluntary leave provision	2,856	2,368
Total short-term employee benefits	56,872	57,986

The effect of the increase in salaries on the social security and payroll liabilities has been offset by timing differences in the payment of related invoices.

28 Short-term provisions

(in thousands)	Legal claims	Restructuring	Other	Total short-term provisions
Balance beginning of year	3,076	243	1,197	4,516
Additional provision	249	331	1	581
Reversal of unused accrual	–	–	–	–
Amounts charged to income in 2006	249	331	1	581
Amounts utilised during the year	–	(243)	(1,036)	(1,279)
Balance at end of year	3,325	331	162	3,818

The increase in the provisions for legal claims relates to the reassessment of claims that originated in 2004 resulting from business agreements concluded in the past. The provisions represent the Company's prudent estimate of the outcome of the court cases related to these claims.

The utilisation of other provisions is explained by the confirmation of the liability and its subsequent classification in amounts payable to suppliers.

Notes to the consolidated financial statements

29 Other liabilities

(in thousands)	2006 EUR	2005 EUR
Other liabilities		
Accrued liabilities	43,652	22,226
VAT and withholding taxes payable	876	202
Fair value of financial instruments	3,273	487
Other liabilities and deferred income	5,695	1,600
Total other liabilities	53,496	24,515

The increase in the accrued liabilities is mainly explained by remaining costs related to the June 2006 decision by the Board of Directors to give free Hardware Security Modules to the entire SWIFT community to prepare for SWIFTNet Phase 2.

The fair value of financial instruments relates to the forward and option contracts concluded to hedge foreign currency exposure. The increase compared to last year is explained by the relative evolution of the foreign exchange rates.

The increase in other liabilities and deferred income is mainly explained by financial discounts which have been obtained in 2006 relating to services that will be delivered in future years.

30 Accrued taxes

The decrease in accrued taxes from EUR 26.3 million last year to EUR 19.1 million in 2006 is explained by the evolution of pending issues and questions with various tax authorities that allowed to adjust the income tax provisions.

31 Related party disclosures

(a) Compensation of the Executive Steering Group

IAS 24 §16 requires companies to disclose key management personnel compensation. A description of the reward package has been included in the section 'Executive Steering Group' on pages 28 and 29. Amounts in USD are converted at the average rate of the year.

(in thousands)	2006 EUR	2005 EUR
Short-term employee benefits		
Salary	2,257	2,299
Bonus	900	904
Car benefits	155	162
Other	183	182
	3,495	3,547
Post-employment benefits		
Pension	1,865	1,398
Post-retirement medical	29	13
	1,894	1,411
Other long-term employee benefits		
Long-term incentives	2,129	2,913
Other	234	142
	2,363	3,055
Total compensation for the Executive Steering Group	7,752	8,013
Social charges on the above	967	1,266
Total cost of compensation for the Executive Steering Group	8,719	9,279

The compensation for 2005 and 2006 is not directly comparable as in 2005 there was a period during which a retiring executive and his successor overlapped for a transitional period of several months.

31 Related party disclosures (continued)**(b) Compensation of the Board of Directors**

The Members of the Board of Directors do not receive any remuneration from the Company. They are reimbursed for the travel costs incurred to perform their mandate. SWIFT reimburses the employer of the Chairman of the Board of Directors for the share of the Chairman's payroll and related costs representing the portion of the time dedicated by the Chairman to SWIFT.

32 Commitments and contingent liabilities**(a) Capital expenditure commitments**

The Company had commitments for capital expenditure at 31 December 2006 amounting to EUR 2.1 million primarily related to the renovation of office buildings and machinery and equipment.

(b) Contractual obligations and operating leases

The Company has entered into contractual obligations and operating leases covering certain equipment and rental space. These commitments total EUR 138 million, and are estimated to be payable in the following years:

Year	EUR (millions)
2007	77
2008	15
2009	12
2010	8
2011 and beyond	26
Total commitments	138

(c) Contingent liabilities

SWIFT has contractual commitments to reimburse its users up to a maximum amount for specific losses resulting from certain failure of the SWIFT system. SWIFT is insured against these losses. No material claims arose during the year, or the previous year.

The Company is involved in litigations with tax authorities related to the income tax charges for the financial years 1988 through 2000, and with employees. Maximum exposure of these litigations amounts to EUR 119 million. Provisions have been established amounting to EUR 5.5 million and Management is confident that these are adequate.

Notes to the consolidated financial statements

33 Financial instruments

(a) Derivative financial instruments

In accordance with the foreign exchange policy guidelines of the Company, all material foreign exchange exposures are hedged. The Company does not use derivative financial instruments for speculative purposes.

The derivative financial instruments relate primarily to forward exchange contracts and foreign exchange option contracts that are entered into to hedge firm commitments at the balance sheet date, mainly related to the purchase of hardware and software in USD, and to hedge budgeted revenues and operating expenses. The derivative contracts have settlement dates that range from one month up to 12 months.

The net unrealised results on financial instruments at 31 December 2006 on cash flow hedges and fair value hedges amounted to a loss of EUR (0.1) million, of which a EUR (0.3) million loss was recognised through the income statement and a EUR 0.2 million gain through the SoRIE (before deferred income tax impact). In 2006, all foreign exchange options were recognised through the income statement.

The fair value of the hedging instruments is recorded on the balance sheet in other receivables/other liabilities. The contracts outstanding at 31 December 2006 are as follows:

(in millions)	2006 EUR	2005 EUR
Amounts to be received under forward contracts		
USD (at rates averaging 1 EUR = 1.2945 USD)	40	36
GBP (at rates averaging 1 EUR = 0.67659 GBP)	17	4
JPY (at rates averaging 1 EUR = 151.61 JPY)	3	4
HKD (at rates averaging 1 EUR = 10.2459 HKD)	9	9
Amounts to be received upon exercise of the currency call options purchased		
USD (at rates averaging 1 EUR = 1.2921 USD)	156	147
Amounts to be paid under forward contracts		
USD (at rates averaging 1 EUR = 1.2908 USD)	(92)	(88)
Amounts to be paid upon exercise of the currency call options purchased		
USD (at rates averaging 1 EUR = 1.2889 USD)	(24)	(20)

Fair market value for fair value hedges and cash flow hedges for the major currency (USD), per expiration date:

(in thousands)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Total
Cash flow hedge	1,794	(2)	(840)	(493)	459
Fair value hedge	(461)	(554)	402	72	(541)

(b) Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist exclusively of cash, short-term deposits, money market products and trade receivables.

The Company's cash and money market products are placed with high-credit quality financial institutions.

Trade receivables are presented net of the allowance for doubtful receivables. The concentration of credit risk with respect to trade receivables is limited due to the large number of users and their dispersion.

(c) Interest rate risk

The Company has no interest-bearing loans.

(d) Fair values

The carrying amounts of cash and cash equivalents, trade receivables, accounts payable and other liabilities approximate to their fair values due to the short-term maturities of these assets and liabilities.

Calendar of SWIFT events

2007

21–24 May	SWIFT regional conference – Africa Dakar, Senegal
4–6 June	SWIFT regional conference – Central & Eastern Europe Saint Petersburg, Russia
13 June	Annual General Meeting of shareholders La Hulpe, Belgium
4–6 July	SWIFT regional conference – ELUS Cartagena, Colombia
1–5 October	Sibos 2007 Boston, USA

2008

11 June	Annual General Meeting of shareholders La Hulpe, Belgium
15–19 September	Sibos 2008 Vienna, Austria

Shareholder information

The Annual General Meeting of shareholders of S.W.I.F.T. SCRL will be held on 13 June 2007, at 11.00am at SWIFT's headquarters in La Hulpe, Belgium. Shareholders unable to attend the meeting can give their proxy to the Board Member of their country, if any, or send it to the Board Secretary to give to the Board Member of their choice with voting instructions, if required.

SWIFT business offices

North and Latin Americas

United States

7 Times Square
45th Floor
New York, NY 10036
Tel: +1 212 455 1800
Fax: +1 212 455 1817

Brazil

Avenida Paulista, 1048
3 andar
01310-100 São Paulo SP
Tel: +55 11 3514 9000
Fax: +55 11 3514 9001

Asia Pacific

Australia

Suite 3202
AMP Centre
50 Bridge Street
Sydney, NSW 2000
Tel: +61 2 9225 8100
Fax: +61 2 9225 8111

Japan

2nd Floor, AIG Building
1-3 Marunouchi 1-Chome
Chiyoda-Ku, Tokyo 100-0005
Tel: +81 3 5223 7400
Fax: +81 3 5223 7439

Hong Kong

31/F One International
Finance Centre
1 Harbour View Street
Central
Tel: +852 2107 8700
Fax: +852 2107 8733

People's Republic of China

7 Financial Street, 8th floor
WIFC Xicheng District
Beijing 100034
Tel: +86 10 6658 2900

Singapore

80 Robinson Road # 16-02
Singapore 068898
Tel: +65 6347 8000
Fax: +65 6347 8099

Europe – Middle East – Africa

Headquarters**Belgium**

1 avenue Adèle
1310 La Hulpe
Tel: +32 2 655 3111
Fax: +32 2 655 3226

France

Opera Trade Center
4 rue Auber
75009 Paris
Tel: +33 1 53 43 23 00
Fax: +33 1 53 43 23 90

Germany

20th Floor, City-Haus I
2-14 Friedrich-Ebert-Anlage
60325 Frankfurt am Main
Tel: +49 69 7541 2200
Fax: +49 69 7541 2290

Italy

Corso G. Matteotti 10
20121 Milano (MI)
Tel: +39 02 7742 5000
Fax: +39 02 7742 5090

South Africa

Block B, 101 Central Street
PO Box 2303
Houghton 2041
Tel: +2711 483 4502
Fax: +2711 483 4507

Spain

Edificio Cuzco IV
Paseo de la Castellana 141, 22A
28046 Madrid
Tel: +34 91 425 1300
Fax: +34 91 425 1310

Sweden

4 Oxtorgsgatan
7th Floor
Stockholm
Tel: +46 8 508 95 300

Switzerland

Freischützgasse 10
8004 Zurich
Tel: +41 43 336 5400
Fax: +41 43 336 5410

United Kingdom

7th Floor
The Corn Exchange
55 Mark Lane
London EC3R 7NE
Tel: +44 20 7762 2000
Fax: +44 20 7762 2222

United Arab Emirates

Office 42, Level 15
The Gate Building
PO Box 506575
Dubai
Tel: +971 4 425 0900
Fax: +971 4 425 0160

SWIFT business partners

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Global business partners**Andean region**

BCG – Business Computer Group
Avenida Francisco de Miranda
Torre Provincial,
Torre B, Piso 14, Oficina 141
Chacao, Caracas
Venezuela
Tel: +58 212 267 2121
Fax: +58 212 264 7736
www.bcg.com.ve

Central America and Mexico

BCG Panama
Marbella World Trade Center
6th Floor, Oficina 605
PO Box 0832-0702
Panama City
Panama
Tel: +507 264 0998
Fax: +507 264 2341
www.bcg.com.ve

North America

S.I.D.E. America Corp.
450 Seventh Avenue, Suite 1509
New York, NY 10123
United States
Tel: +1 212 631 0666
Fax: +1 212 631 0170
www.sideamerica.com

North America

S.I.D.E. America Corp.
445 S Figueroa Street, Suite 2700
Los Angeles, CA 90071
United States
Tel: +1 213 612 7799
Fax: +1 213 612 7797
www.sideamerica.com

Southern Latin America

Finaceware Comercio e
Servicos Ltda
Rua Paraiso 139, Cj. 132
Rua Tutóia 324 – Paraiso
04103-000 – São Paulo/SP
Brazil
Tel: +55 11 3262 2095
Fax: +55 11 3251 1926
www.financeware.com.br

Indian subcontinent

Cambridge Solutions Ltd.
(formerly Scandent Solutions)
801, Madhava Building
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051
India
Tel: +91 22 2659 4951
Fax: +91 22 2659 4952
www.cambridgeworldwide.com

Japan

Getronics Japan, Ltd.
Shuwa Shiba Koen 3-Chome
Building
3-1-38, Shiba Koen, Minato-Ku
Tokyo 105-0011
Japan
Tel: +81 3 5403 1006
Fax: +81 3 5403 1013
jp.getronics.com/swift

Oceania – South Pacific

Decillion Solutions (Australia)
Pty Ltd.
Suite 403
161 Walker Street
North Sydney, NSW 2060
Australia
Tel: +61 2 9929 0655
Fax: +612 9929 0799
www.decillion.com.au

People's Republic of China

NSCI (Shanghai) Co., Ltd.
13F World Trade Tower
No. 500 Guangdong Road
Shanghai 200001
P.R. China
Tel: +86 21 6141 5511
Fax: +86 21 6362 1800
www.nsc.com.cn

South Korea

Comas Inc.
7-9F, Geobong Building 942-16
Daechi3-Dong, Gangnam-Gu
Seoul, Korea (135-845)
Tel: +82 2 3218 6312
Fax: +82 2 518 1969
www.comas.co.kr

Sumisho Computer Systems Co.

Harumi Island Triton Square,
Tower Z
1-8-12, Harumi
Chuo-ku, Tokyo 104-6241
Japan
Tel: +81 3 5859 3890
Fax: +81 3 5859 3869
www.scs.co.jp

South East Asia

Decillion Solutions Pte Ltd.
39 Robinson Road
#16-03 Robinson Point
Singapore 068911
Tel: +65 6538 1661
Fax: +65 6538 1771
www.decillion.com.sg

Taiwan

Ares International Corp.
3rd Floor, 111, Sec.2
ZhongShan N. Road
Taipei, Taiwan 104
Tel: +886 2 2522 1351
Fax: +886 2 2560 1735
www.ares.com.tw

**Austria, Germany,
Liechtenstein, Switzerland**

Incentage AG
Mülistrasse 18
CH-8320 Fehraltorf / Zurich
Switzerland
Tel: +41 43 355 86 00
Fax: +41 43 355 86 01
www.incentage.com

Benelux and France

S.I.D.E. Benelux & France S.A.
200 Rue du Cerf
B-1330 Rixensart
Belgium
Tel: +32 2 656 0060
Fax: +32 2 656 00 70
www.side-international.com

Italy

TAS – Gruppo NCH
Via del Lavoro 47
40033 Casalecchio di Reno (BO)
Italy
Tel: +39 051 458 0426
Fax: +39 051 458 0248
www.nchspa.com

Southern Africa

Perago Africa (Pty) Ltd.
Building II (B Block)
101 Central Street
Houghton 2194 Gauteng
South Africa
Tel: +27 11 483 4500
Fax: +27 11 483 4507
www.perago.com

**IBM International Business
Machines Corporation**

IBM Belgium
BLS 2A1, 42 Avenue du Bourget
B-1130 Bruxelles
Belgium
Tel: +32 2 655 5423
Fax: +32 2 655 5423
www.ibm.com

Balkan countries

CiS d.o.o.
Bulevar Oslobođenja 88
CS-21000 Novi Sad
Serbia
Tel: +381 21 4725 380
Fax: +381 21 4725 288
www.cis.co.yu

**British Isles, Ireland and
Channel Islands**

SMA Software + Consulting Ltd.
Bramah House
65–71 Bermondsey Street
London SE1 3XF
Great Britain
Tel: +44 20 7940 4200
Fax: +44 20 7940 4201
www.sma.co.uk

Middle East and Gulf Region

Eastern Networks
Dubai Internet City
Building 2, # G02
PO Box 500135
Dubai
United Arab Emirates
Tel: +971 4 391 2880
Fax: +971 4 391 8652
www.eastnets.com

West and Central Africa

Allied Engineering Group S.A.R.L.
El Mohandiseen – Giza
Lebanon Square
Al-Gihad Street 6
Cairo
Egypt
Tel: +202 305 5697
Fax: +202 305 5697
www.aeg-mea.com

LogicaCMG

Stephenson House
75 Hampstead Road
London NW1 2PL
United Kingdom
Tel: +44 20 7446 1462
Fax: +44 20 7674 1777
www.logicacmg.com

CIS countries

Alliance Factors Ltd.
6 Shubinsky Pereulok
Moscow 121099
Russian Federation
Tel: +7 495 967 1491
Fax: +7 495 241 4650
www.swift.ru

Middle East and North Africa

Allied Engineering Group S.A.R.L.
Assaf Center, 8th Floor
Verdun, Beirut
Lebanon
Tel: +961 1 791 002
Fax: +961 1 791 003
www.aeg-mea.com

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