

# Consolidated financial statements

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# Report of the Group auditors

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

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, profit and loss account, cash flow statement and Notes) of Compagnie Financière Tradition for the year ended 31 December 2002.

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 auditing standards promulgated by the Swiss profession, 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 the SWISS GAAP RPC and comply with Swiss law.

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

Lausanne, 18 March 2003

**Ernst & Young S.A.**

**F. Magnollay**  
Certified accountant

**J. Fournier**  
Certified accountant  
(Auditor in charge)

# Consolidated profit and loss account 2002

in thousands of Swiss francs	Notes	2002	2001
Net turnover	IV.1	<b>791,505</b>	829,180
Other operating income	IV.2	<b>6,408</b>	3,664
<b>Operating income</b>		<b>797,913</b>	<b>832,844</b>
Employee compensation and benefits		<b>- 546,630</b>	- 560,877
Other operating expenses		<b>- 184,437</b>	- 176,251
Depreciation and amortisation		<b>- 12,468</b>	- 10,632
<b>Operating expenses</b>		<b>- 743,535</b>	<b>- 747,760</b>
<b>OPERATING PROFIT</b>		<b>54,378</b>	<b>85,084</b>
Net financial income	IV.3	<b>23,277</b>	19,666
<b>PROFIT BEFORE TAX</b>		<b>77,655</b>	<b>104,750</b>
Exceptional items	IV.4	<b>- 1,452</b>	-
Taxes	IV.5	<b>- 31,998</b>	- 39,261
<b>NET PROFIT OF CONSOLIDATED COMPANIES</b>		<b>44,205</b>	<b>65,489</b>
Associated undertakings	III.3	<b>- 3,043</b>	- 3,768
Goodwill amortisation		<b>- 1,220</b>	- 709
<b>CONSOLIDATED NET PROFIT</b>		<b>39,942</b>	<b>61,012</b>
• Group share		<b>31,813</b>	46,716
• Minority interests		<b>8,129</b>	14,296
Net profit - Group share in Swiss francs per share of CHF 2.50 nominal value, based on weighted average number of shares outstanding		<b>6.00</b>	<b>8.90</b>

# Consolidated balance sheet at 31 December 2002

## ASSETS

in thousands of Swiss francs	Notes	2002	2001
<b>CURRENT ASSETS</b>			
Cash	III.1	50	134
Call deposits	III.1	113,291	115,542
Short-term deposits	III.1	58,939	58,035
Trade debtors	III.2	101,245	130,505
Receivables linked to account holder activities	III.7	54,996	60,537
Other short-term receivables	III.2	36,193	24,664
Receivables from affiliated companies		636	6,664
Receivables from shareholder and associated companies	III.8	3,344	282
Marketable securities	III.1	55,344	49,127
Prepaid expenses and accrued income	III.2	13,619	15,304
<b>TOTAL CURRENT ASSETS</b>		<b>437,657</b>	<b>460,794</b>
<b>FIXED ASSETS</b>			
Other long-term receivables	III.2	9,135	9,162
Associated undertakings and other investments	III.3	9,639	2,680
Treasury shares	III.3	339	1,730
Tangible fixed assets			
• Installations and equipment	III.4	21,363	21,722
• Buildings	III.4	7,516	7,516
Intangible fixed assets	III.4	13,815	18,020
<b>TOTAL FIXED ASSETS</b>		<b>61,807</b>	<b>60,830</b>
<b>TOTAL ASSETS</b>		<b>499,464</b>	<b>521,624</b>

## LIABILITIES

in thousands of Swiss francs	Notes	2002	2001
<b>CREDITORS</b>			
Short-term bank borrowings	III.1	<b>44,345</b>	32,686
Debts to affiliated companies		<b>2,269</b>	286
Debts to shareholder and associated companies	III.8	<b>16,334</b>	12,530
Other short-term debts	III.5	<b>37,999</b>	44,065
Debts linked to account holder activities	III.7	<b>53,877</b>	59,328
Taxes payable	III.5	<b>14,897</b>	19,603
Accrued expenses and deferred income	III.5	<b>82,596</b>	105,312
Long-term financial debts	III.5	<b>1,753</b>	1,929
Contingency and loss provisions	III.6	<b>10,282</b>	14,389
<b>TOTAL CREDITORS</b>		<b>264,352</b>	<b>290,128</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	III.9	<b>13,262</b>	13,262
Share premium		<b>8,712</b>	8,712
General reserve	III.10	<b>17,570</b>	17,570
Reserve for treasury shares		<b>339</b>	937
Special reserve		<b>3,100</b>	3,100
Other reserves		<b>15,300</b>	15,300
Consolidated reserves	III.11	<b>105,990</b>	83,459
Net profit - Group share		<b>31,813</b>	46,716
<b>SHAREHOLDERS' EQUITY - GROUP SHARE</b>		<b>196,086</b>	<b>189,056</b>
Minority interests		<b>39,026</b>	42,440
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>235,112</b>	<b>231,496</b>
<b>TOTAL LIABILITIES</b>		<b>499,464</b>	<b>521,624</b>

# Changes in consolidated shareholders' equity

in thousands of Swiss francs	Shareholders' equity at 01.01.01	Miscellaneous reserves	Dividends paid net of dividend on treasury shares	Increase in capital	Effect of changes in the basis of consolidation	Other changes	Currency translation adjustments	Net profit 2001	Shareholders' equity at 31.12.01
Capital	12,975	–	–	287	–	–	–	–	13,262
Share premium	2,117	–	–	6,595	–	–	–	–	8,712
General reserve	17,570	–	–	–	–	–	–	–	17,570
Reserve for treasury shares	514	423	–	–	–	–	–	–	937
Special reserve	3,100	–	–	–	–	–	–	–	3,100
Other reserves	15,300	–	–	–	–	–	–	–	15,300
Consolidated reserves	94,984	– 423	– 7,736	–	–	– 236	– 3,130	46,716	130,175
<b>Total - Group share</b>	<b>146,560</b>	<b>–</b>	<b>– 7,736</b>	<b>6,882</b>	<b>–</b>	<b>– 236</b>	<b>– 3,130</b>	<b>46,716</b>	<b>189,056</b>
Minority interests	29,794	–	– 2,943	–	2,706	– 25	– 1,388	14,296	42,440
<b>TOTAL</b>	<b>176,354</b>	<b>–</b>	<b>– 10,679</b>	<b>6,882</b>	<b>2,706</b>	<b>– 261</b>	<b>– 4,518</b>	<b>61,012</b>	<b>231,496</b>

in thousands of Swiss francs	Shareholders' equity at 01.01.02	Miscellaneous reserves	Dividends paid net of dividend on treasury shares	Increase in capital	Effect of changes in the basis of consolidation	Other changes	Currency translation adjustments	Net profit 2002	Shareholders' equity at 31.12.02
Capital	13,262	–	–	–	–	–	–	–	13,262
Share premium	8,712	–	–	–	–	–	–	–	8,712
General reserve	17,570	–	–	–	–	–	–	–	17,570
Reserve for treasury shares	937	– 598	–	–	–	–	–	–	339
Special reserve	3,100	–	–	–	–	–	–	–	3,100
Other reserves	15,300	–	–	–	–	–	–	–	15,300
Consolidated reserves	130,175	598	– 10,567	–	103	–	– 14,319	31,813	137,803
<b>Total - Group share</b>	<b>189,056</b>	<b>–</b>	<b>– 10,567</b>	<b>–</b>	<b>103</b>	<b>–</b>	<b>– 14,319</b>	<b>31,813</b>	<b>196,086</b>
Minority interests	42,440	–	– 6,058	–	– 2,949	–	– 2,536	8,129	39,026
<b>TOTAL</b>	<b>231,496</b>	<b>–</b>	<b>– 16,625</b>	<b>–</b>	<b>– 2,846</b>	<b>–</b>	<b>– 16,855</b>	<b>39,942</b>	<b>235,112</b>

# Consolidated cash flow statement

in thousands of Swiss francs	2002	2001
<b>Cash flow from operating activities</b>		
Group profit before tax and associated undertakings	74,983	104,041
Elimination of income and expenses of no material effect on cash flow and/or not related to activities:		
Net financial income and exchange gains and losses	- 23,277	- 19,666
Depreciation and amortisation	13,688	11,341
Exceptional items	1,452	-
<b>Net changes relating to operating activities before change in operating assets and liabilities</b>	<b>66,846</b>	<b>95,716</b>
Changes in working capital	- 6,038	- 10,414
<b>Cash inflow from operating activities</b>	<b>60,808</b>	<b>85,302</b>
Taxes paid	- 36,704	- 42,763
<b>Net cash inflow from operating activities</b>	<b>24,104</b>	<b>42,539</b>
<b>Cash flow from investment activities</b>		
Purchase/sale of marketable securities	- 6,217	754
Purchase/sale of treasury shares	420	- 793
Purchase/sale of non-consolidated investments	- 2,664	9,676
Net financial income	26,904	17,656
Net acquisition of fixed assets	- 10,295	- 12,066
Net acquisition of intangible assets	- 3,594	- 11,697
<b>Net cash inflow from investment activities</b>	<b>4,554</b>	<b>3,530</b>
<b>Cash flow from financing activities</b>		
Changes in receivables and debts related to shareholders and associated companies	742	11,506
Increase/decrease in long-term financial debt	-	- 2,279
Increase in capital	-	6,882
Effect of changes in the basis of consolidation	- 8,922	2,681
Dividends and other payments outside Group	- 6,058	- 2,943
Dividends paid by the Company	- 10,567	- 7,736
<b>Net cash inflow/outflow from financing activities</b>	<b>- 24,805</b>	<b>8,111</b>
Exceptional income affecting cash flow	- 1,404	-
Currency translation adjustments	- 15,539	- 3,011
<b>Net increase/decrease in cash and cash equivalents (cf. Note III.1)</b>	<b>- 13,090</b>	<b>51,169</b>

# Notes to the consolidated financial statements

## Introduction

Monecor, prior to its acquisition by Compagnie Financière Tradition on 30 June 2001, had been required to participate in a capital call of GBP 250,000 (CHF 610,000) for its subsidiary EuroBrokers Finacor Ltd. (EBFL). Monecor London Ltd. (Monecor) failed to meet this capital call. Under the terms of a shareholders' agreement, signed between Maxcor Financial Group Inc. (Maxcor, Monecor's partner in EBFL) and Monecor in 1998, if such an event were to occur, the shareholder had an obligation to sell its entire holding to its partner, on the basis of 70% of EBFL's equity.

Pursuant to this shareholders' agreement, Maxcor sued Monecor in 2001. Monecor defended the case before the High Court in London, and then appealed against the judgment. In February 2003, the appeal was dismissed by the Court of Appeal, and as a result, Monecor had to sell its holding in EBFL on 19 February 2003, for GBP 1,625,000 (CHF 3,628,000).

Accordingly, EBFL has been excluded from the consolidated accounts as of 1 January 2002, and turnover for 2002 has been restated to reflect this change. EBFL's contribution to consolidated turnover and net profit in 2001 represented respectively CHF 16.5 million and CHF 0.5 million. The Group took a one-off exceptional charge of CHF 1.5 million in respect of this litigation (cf. Note IV.4).

## I. ACCOUNTING POLICIES

### I.1 Principles of consolidation

The consolidated financial statements have been prepared in compliance with the provisions of the Accounting and Reporting Recommendations (ARR), in accordance with the listing rules of the SWISS Stock Exchange, and include those of Compagnie Financière Tradition and its affiliates.

General accounting conventions were applied, respecting the conservatism principle, in accordance with generally accepted accounting standards for the preparation of consolidated statements.

## Consolidation methods

Interests are fully consolidated when Compagnie Financière Tradition, directly or indirectly, holds majority voting rights in a company or owns a controlling interest in it. Minority interests in the shareholders' equity and net income of these companies are presented separately in the consolidated balance sheet and profit and loss account.

The financial statements of jointly controlled companies are consolidated using the proportionate consolidation method. Compagnie Financière Tradition's share of jointly controlled entities is stated on a line-by-line basis in the consolidated balance sheet and profit and loss account.

Affiliated companies in which Compagnie Financière Tradition has a significant but not controlling influence are consolidated 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. Companies with totally different activities from those of the Group, whose inclusion could prejudice the fair presentation of the Group's consolidated financial statements, are also consolidated using the equity method.

With the exception of recently created companies of strategic importance to the Group, companies in which Compagnie Financière Tradition has exclusive or joint control or significant influence, but one which is not significant in terms of turnover or balance sheet total within the consolidation, are not included in the consolidated accounts.

### Elimination of intercompany transactions

When preparing the consolidated statements, the results of intragroup transactions are eliminated if they are of material importance.

Intercompany receivables and debts, and income and expenses of fully consolidated companies are eliminated fully, as are the results of sales of assets between consolidated companies and provisions for depreciation recognised on consolidated investments, and loans and advances to consolidated affiliates.



## I.2 Goodwill

The difference between the acquisition cost of newly consolidated company shares and the share capital acquired in such a company at the date of acquisition is divided between:

- premium (or negative premium) concerning certain identifiable items,
- goodwill (or negative goodwill) for the non-attributable balance.

Premium (or negative premium) is booked using the same rules as the foregoing items.

Goodwill is amortised over a maximum of ten years. However, a reserve for depreciation may be established if the performance of the acquired company is not in line with expectations.

Negative goodwill is recoverable on an individual basis over a period not exceeding five years, depending on the profitability of the new company.

## I.3 Foreign currencies, foreign exchange and interest rate transactions

### Currency translation

At the time of consolidation, financial statements of foreign affiliates prepared in foreign currencies are translated into Swiss francs as follows:

- assets and liabilities are translated at the exchange rate effective on the date of consolidation,
- income and expenses are translated at the average exchange rate for the year.

Foreign exchange differences resulting from variations in exchange rates from one year to the next, as applied to the net worth of the companies, and the difference between the average rate over the year and the closing rate applied to the results of such subsidiaries, are taken directly to shareholders' equity and dealt with under "Currency translation adjustment".

### Foreign exchange transactions

Foreign exchange gains and losses are recorded under "Net financial income".

Foreign exchange risk arising from brokerages listed or billed in foreign currencies is evaluated and, if necessary, hedged by each affiliate of Compagnie Financière Tradition, in accordance with prudent practices. These entities only conduct forward foreign exchange transactions with highly reputable financial institutions.

These hedging transactions are booked in the same manner as hedged transactions.

### Interest rate transactions

Compagnie Financière Tradition and its subsidiaries are not significantly affected by fluctuations in interest rates since all their fixed rate monetary assets and liabilities are short-term.

## I.4 Valuation methods

The main valuation methods used are as follows:

### Recognition of income

Brokerage revenues are recognised in the profit and loss account under specific income and expenses at the time of the transaction and recorded after deduction of correspondents' fees.

### Current assets and short-term debts

Current assets and short-term debts include receivables and debts payable or renewable within a year. Receivables are entered in the balance sheet after deduction of economically necessary provisions.

### Accrued and deferred items

Accrued items are calculated according to the cut-off principle, with expenses and income allocated proportionally in the year in which they arise.

### Marketable securities

Marketable securities are recorded in the balance sheet at their acquisition cost, after deduction of necessary provisions, valued on the basis of their stock market price, for listed securities, or probable realisable value, for unlisted securities.

# Notes to the consolidated financial statements

## Long-term investments

Long-term investments are recorded in the balance sheet at their acquisition cost, after deduction of necessary provisions, valued on the basis of their stock market price, for listed securities, or probable marketable value, for unlisted securities.

## Tangible fixed assets

Tangible fixed assets are stated at cost and depreciated on a straight-line method over their estimated useful life as follows:

Fixtures and installations	between 5 and 10 years
Computer and telecom. equipment	between 3 and 5 years
Other tangible fixed assets	between 3 and 5 years

## Intangible fixed assets

Intangible fixed assets are stated at cost and depreciated on a straight-line basis over their useful economic life, over a maximum of ten years.

## Other balance sheet items

Other balance sheet items are booked at face value, after deducting economically necessary provisions and amortisation.

## Provisions for future and deferred taxes

Provisions for taxes are calculated on the basis of profits for the financial year in accordance with applicable local tax regulations.

Provision is made for deferred taxes using the variable carry-over method. Provisions include deferred taxes calculated on all timing differences outstanding at the close of the financial year, on the basis of rates ruling at the balance sheet date in each country, or rates known in advance for future financial years if those timing differences are of material importance.

Deferred tax assets are recognised when it is considered probable that they will be recovered in the foreseeable future because of the existence of future profits. Should this not be the case, they are booked at the amount of deferred tax liabilities for each company considered individually.

## Debtor minority interests

Where, following losses, the share attributable to minority interests of a fully consolidated company becomes negative, the excess and subsequent losses chargeable to minority interests are deducted from majority interests, unless partners or minority shareholders have a formal obligation to make good such losses. If the consolidated company subsequently returns to profit, the majority interests are credited with the full profits until the portion they assumed of losses chargeable to minority interests has been fully eliminated.

## Pension and other post-retirement benefits

Defined benefit or defined contribution pension plans have been set up, depending on the country in which the Group has operations and local pension regulations.

Under defined contribution plans, contributions from employees and companies of the Group are paid to approved pension institutions.

An actuarial valuation of defined benefit plans is carried out each year by independent experts, and a provision is made and adjusted accordingly.

Other pension commitments, such as pension indemnity, are subject to an actuarial valuation and are fully provisioned.

## Derivative financial instruments

Derivative financial instruments outstanding at the balance sheet date are shown in the notes to the consolidated financial statements. Hedging transactions are valued on the same basis as hedged transactions. Other off-balance sheet transactions in derivative instruments are valued at the market price at the balance sheet date. Unrealised gains and losses arising from derivative instruments traded on regulated interest rate, currency and equity markets are recognised under financial income. A provision is made to cover unrealised losses determined by homogeneous portfolio of operations for OTC traded instruments.

## II. BASIS OF CONSOLIDATION

### II.1 Basis of consolidation at 31 December 2002

The table below shows the consolidated companies held, directly or indirectly, by Compagnie Financière Tradition and the method of consolidation used for each company:

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method EM/FCM/PCM
<b>COMPAGNIE FINANCIÈRE TRADITION</b>		Switzerland	Consolidating company		CHF 13,262	
<b>I. FINANCIAL COMPANIES</b>						
<b>TRADITION SERVICE HOLDING S.A., LAUSANNE</b>						
<i>Tradition (UK) Ltd., London</i>		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
Tradition Securities (Kenya) Ltd., Nairobi		Kenya	70.00%	70.00%	KES 7,500	FCM
Monecor (London) Ltd., London		United Kingdom	100.00%	100.00%	EUR 10,621	FCM
<b>Finacor Belgique S.A., Brussels</b>		Belgium	99.95%	99.95%	EUR 149	FCM
Finacor & Associés S.A., Brussels		Belgium	50.00%	49.98%	EUR 2,125	PCM
Arbitrage Change S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 372	FCM
<b>Finance 2000 S.A., Paris</b>						
VIEL Tradition S.A., Paris		France	100.00%	100.00%	EUR 9,899	FCM
Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR 547	FCM
<b>Tradition S.A., Lausanne</b>		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradition S.A., Luxembourg (branch)		Luxembourg	100.00%	100.00%	EUR 372	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 4,090	EM
<b>Tradition (North America) Inc., New York</b>						
STAFF USA Inc., New York		U.S.A.	100.00%	100.00%	USD 14,500	FCM
FXDirectDealer LLC, New York	✓	U.S.A.	100.00%	100.00%	USD 943	FCM
		U.S.A.	75.00%	75.00%	USD 650	FCM
<i>Tradition Asiel Securities Inc., New York</i>		U.S.A.	100.00%	100.00%	USD n/s	FCM
Tradition (Global Clearing) Inc., New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
<i>Tradition Services (Delaware) Corp., Delaware</i>		U.S.A.	100.00%	100.00%	USD n/s	FCM
Govdesk LLC, Redondo Beach, California		U.S.A.	35.00%	35.00%	USD 531	EM
VIEL Debeausse and Co. Inc., New York		U.S.A.	91.00%	91.00%	USD 50	FCM
Tradition Argentina S.A., Buenos Aires		Argentina	100.00%	100.00%	ARS 12	FCM
<b>Meitan Tradition Co. Ltd., Tokyo</b>						
Meitan Information Service Co. Ltd., Tokyo	✓	Japan	55.34%	55.34%	JPY 300,000	FCM
Tradition Orient FX Co. Ltd., Tokyo	✓	Japan	100.00%	59.81%	JPY 10,000	FCM
		Japan	50.00%	27.67%	JPY 100,000	PCM
Tradition (Asia) Ltd., Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,000	FCM
Tradition Singapore (Pte) Ltd., Singapore		Singapore	100.00%	100.00%	SGD 1,200	FCM
Tradition International S.A., Panama		Panama	100.00%	100.00%	CHF 1,790	FCM
<b>HOLDING TRADITION CLEARING, LAUSANNE</b>						
Tradition London Clearing Ltd., London		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradition Holding (U.S.A.) Inc., New York		United Kingdom	100.00%	100.00%	GBP 1,000	FCM
		U.S.A.	100.00%	100.00%	USD 1	FCM
<b>HOLDING TRADITION SECURITIES S.A., LAUSANNE</b>						
Finacor Rabe AG, Frankfurt		Switzerland	100.00%	100.00%	CHF 250	FCM
Tradition Eurobond S.A., Luxembourg		Germany	82.50%	84.51%	EUR 6,250	FCM
		Luxembourg	100.00%	100.00%	EUR 500	FCM
<b>Tradition Securities And Futures S.A., Paris, and branches in London and Lausanne</b>						
MIA, Paris		France	77.10%	77.10%	EUR 12,121	FCM
		France	55.00%	42.40%	EUR 1,976	FCM

# Notes to the consolidated financial statements

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method EM/FCM/PCM
<b>TFS, LAUSANNE</b>		Switzerland	70.77%	70.77%	CHF 3,441	FCM
<b>Tradition Financial Services Ltd., London</b>		United Kingdom	100.00%	70.77%	GBP 250	FCM
TFS-ICAP Holdings Ltd., London	✓	United Kingdom	50.00%	38.92%	GBP 10	PCM
TFS-ICAP Ltd., London		United Kingdom	51.00%	19.85%	GBP 20	FCM
TFS-ICAP Currency Options Ltd., London	✓	United Kingdom	100.00%	19.85%	GBP 550	FCM
TFS Currency Options Ltd., London		United Kingdom	100.00%	19.85%	GBP 5	FCM
ICAP Currency Options Ltd., London		United Kingdom	100.00%	19.85%	GBP 5	FCM
TFS Derivatives Ltd., London		United Kingdom	100.00%	70.77%	GBP 1,200	FCM
Equitek Capital Ltd., London		United Kingdom	100.00%	70.77%	GBP 1,300	FCM
TFS Futures & Options (Pty.) Ltd., Johannesburg		South Africa	100.00%	70.77%	ZAR 250	FCM
TFS Securities (Pty.) Ltd., Johannesburg	✓	South Africa	100.00%	70.77%	ZAR 1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	70.77%	EUR 153	FCM
<b>Tradition Financial Services Inc., New York</b>		U.S.A.	100.00%	70.77%	USD 50	FCM
TFS Derivatives Corp., New York		U.S.A.	100.00%	70.77%	USD 95	FCM
TFS-ICAP Holdings LLC, New York		U.S.A.	50.00%	38.92%	USD n/s	PCM
TFS-ICAP LLC, New York		U.S.A.	51.00%	19.85%	USD n/s	FCM
TFS Energy LLC, Stamford		U.S.A.	53.00%	43.88%	USD n/s	FCM
TFS Energy Futures LLC, Stamford		U.S.A.	100.00%	43.88%	USD 35	FCM
TFS Blackwood LLC, New York and its London Branch, TFSB Ltd.		U.S.A.	93.75%	66.35%	USD 1,388	FCM
Equitek Capital Inc., Delaware		U.S.A.	100.00%	70.77%	USD n/s	FCM
Capstone Global Energy LLC, Houston		U.S.A.	57.50%	40.69%	USD –	FCM
Current Capital LP, Houston	✓	U.S.A.	50.49%	20.55%	USD 4,064	EM
Current Capital LLC, Houston	✓	U.S.A.	51.00%	20.75%	USD –	EM
TFS Australia Pty. Ltd., Sydney		Australia	100.00%	70.77%	AUD 5	FCM
Tradition Financial Services Japan Ltd., Tokyo		British Virgin Islands	100.00%	70.77%	USD 50	FCM
Tradition Financial Services (Hong Kong) Ltd., Hong Kong		Hong Kong	100.00%	70.77%	HKD 200	FCM
TFS Energy (S) Pte Ltd., Singapore		Singapore	100.00%	70.77%	SGD 100	FCM
TFS Currencies Pte Ltd., Singapore		Singapore	100.00%	70.77%	SGD 1,000	FCM
<b>TRC Lausanne, Lausanne</b>		Switzerland	100.00%	70.77%	CHF 100	FCM
The Recruitment Company Holdings Inc., Delaware	✓	U.S.A.	79.00%	55.91%	USD n/s	FCM
The Recruitment Company Ltd., London		United Kingdom	100.00%	55.91%	GBP 1	FCM
The Recruitment Company Inc., New York		U.S.A.	100.00%	55.91%	USD n/s	FCM
The Recruitment Company Pty. Ltd., Sydney		Australia	100.00%	55.91%	AUD n/s	FCM
The Recruitment Company Ltd., Tokyo	✓	Japan	100.00%	55.91%	JPY 5,000	FCM
The Recruitment Company Ltd., Hong Kong		Hong Kong	100.00%	55.91%	HKD 10	FCM
Equitek Capital Limited, Georgetown	✓	Cayman Islands	50.00%	36.85%	USD –	FCM
Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD 5,000	FCM
<b>2. NON-FINANCIAL COMPANIES</b>						
Tradcom Management, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradificom International, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
<b>StreamingEdge.com Inc., New Jersey</b>		U.S.A.	60.00%	60.00%	USD 1,000	EM
StreamingEdge (Canada) Inc., Toronto		Canada	100.00%	60.00%	CAD n/s	EM

All affiliates and major companies in which Compagnie Financière Tradition has a direct or indirect equity interest are active in the brokerage of financial products and their derivatives, with the exception of Tradcom Management and Tradificom International, service providers in the telecommunications and IT sectors working exclusively for the Group. StreamingEdge.com Inc. and its Canadian subsidiary, developers of online transactional platforms, were consolidated using the equity method since the nature of their activities was completely different from those of the Group.

## II.2 Changes in the basis of consolidation

The main changes in the basis of consolidation in 2002 were as follows:

### TFS

On 3 December 2001, TFS concluded an agreement with Volbroker to merge its brokerage operations in currency options, handled jointly with ICAP under the name of TFS-ICAP, with those of Volbroker, the most active electronic trading platform in these products. Under the terms of the agreement, which covers seven countries, TFS-ICAP was to receive all profits generated by the new entity during the first year of operations, from 1 December 2001 to 30 November 2002. Between 1 December 2002 and 30 November 2003, profits from the new entity is to be allocated as follows: TFS-ICAP is to receive all consolidated pre-tax profit up to an amount of USD 4.75 million (CHF 7.4 million). Volbroker is to receive the second tranche of consolidated pre-tax profit, between USD 4.75 million and USD 9.5 million (between CHF 7.4 million and CHF 14.8 million), while any consolidated pre-tax profit in excess of USD 9.5 million (CHF 14.8 million) is to be divided equally between TFS-ICAP and Volbroker. After 1 December 2003, profits from the new entity will be divided equally between TFS-ICAP and Volbroker.

A number of new companies or partnerships were created in connection with this operation:

- *TFS-ICAP Holdings Ltd.*: a company capitalised at GBP 10,000 with 55% of its shares (50% of voting rights) held by Tradition Financial Services Ltd., London. In March 2002, the entire share capital of TFS-ICAP Ltd., 55% of which was previously held directly by Tradition Financial Services Ltd., was transferred to this company.

On 3 December 2001, Volbroker.com Ltd. sold its U.K. and U.S. electronic trading businesses to its subsidiary TFS-ICAP Currency Options Ltd., a newly formed company capitalised at GBP 550,000. On 25 July 2002, Volbroker.com Ltd. contributed its stake in TFS-ICAP Currency Options Ltd. to TFS-ICAP Ltd., in return for 9,607 of the company's shares, representing 49% of its capital.

TFS-ICAP Holdings Ltd. holds majority voting rights in its subsidiaries, which were all fully consolidated at 31 December 2002. The company itself was 55% consolidated in the TFS accounts using the proportional consolidation method,

- *TFS-ICAP Holdings LLC*: a company created in July 2002, in which Tradition Financial Services Inc. has a 55% interest. 100% of the capital of TFS-ICAP LLC, previously held directly by Tradition Financial Services Inc., was transferred to the company at the time of creation.

On 25 July 2002, TFS-ICAP LLC acquired the U.S. electronic trading business of TFS-ICAP Currency Options Ltd. for a consideration of GBP 365,000. Simultaneously, Volbroker.com Ltd. subscribed a share capital increase of GBP 365,000 for TFS-ICAP LLC. As a result of these operations, Volbroker.com Ltd. now holds 196 shares in the company, representing a 49% interest, while TFS-ICAP Holdings LLC holds a 51% interest.

TFS-ICAP Holdings LLC, holds majority voting rights in its subsidiaries, which were all fully consolidated at 31 December 2002. The company itself was 55% consolidated in the TFS accounts using the proportional consolidation method.

Joint ventures were created in Tokyo and Singapore on 1 December 2002. Since then, TFS Currencies Pte Ltd. and Tradition Financial Services Japan Ltd. book 25% of the income and expenses on brokerage operations in currency options transacted in Tokyo and Singapore.

Joint ventures between TFS, ICAP and Volbroker in Sydney, Frankfurt and Copenhagen, were not yet finalised at 31 December 2002. Accordingly, accrued income was recognised in the consolidated accounts to reflect TFS's share in the Copenhagen and Sydney operations, which was 55% and 50% respectively until 30 November 2002 then 27.5% and 25% after 1 December 2002, as well as its partners' share of profit on the currency options of its German subsidiary, Tradition Financial Services GmbH, which was 45% until 30 November 2002 then 72.5% after 1 December 2002. This profit, a net amount of CHF 118,000, is carried under "Other operating income".

# Notes to the consolidated financial statements

Other changes in consolidation for TFS were as follows:

- *TFS Securities (Pty.) Ltd.*: created in February 2002, capitalised at ZAR 1,000,000. This equities broker is a wholly-owned subsidiary of Tradition Financial Services Ltd., London, which became a member of the Johannesburg Stock Exchange (JSE) in April 2002,
- *Current Capital LP, Current Capital LLC*: joint ventures created in 2002 with Harvard Private Capital Holdings Inc., in which Capstone Global Energy LLC holds 50.49% and 51.00% stakes respectively. The two companies had no turnover in 2002, and were consolidated in the accounts at 31 December 2002 using the equity method, with a negative contribution of CHF 1,239,000 (cf. Note III.3),
- *The Recruitment Company Holdings Inc.*: TRC Lausanne contributed its interests in The Recruitment Company Ltd., London, The Recruitment Company Inc., New York and The Recruitment Company Pty. Ltd., Sydney to this newly created American company in exchange for 79% of its capital. The Recruitment Company Holdings Inc. also holds 100% of the share capital of The Recruitment Company Ltd., Hong Kong, a newly formed company which took over the business operations of The Recruitment Company Ltd., BVI, as well as The Recruitment Company Ltd., Tokyo, a company capitalised at JPY 5,000,000, created in 2002. TRC Lausanne's negative minority interests in TRC Group, amounting to CHF 408,000, were fully provisioned at 31 December 2002.

Finally, TFS Nordisk AS, which was dormant at 31 December 2001, was also wound up in 2002.

## TSH

Meitan Tradition Co. Ltd. created a joint venture with Orient Trading Co. Ltd. – *Tradition Orient FX Co. Ltd.* – capitalised at JPY 100 million, in which it has a 50% stake. This new company, consolidated at 31 December 2002 using the proportional consolidation method, began operations in April 2002 as an online retail broker of currency instruments.

Meitan Tradition Co. Ltd. also acquired 45% of Infotec Japan Co. Ltd., now renamed *Meitan Information Service Co. Ltd.*, thereby bringing its controlling interest in the company to 90%, the remaining 10% being held by Compagnie Financière Tradition. Meitan Information Service Co. Ltd. provides financial information, online and via I-mode (mobile Internet access), to retail and institutional clients.

Tradition (North America) Inc. created a new company, *FXDirectDealer LLC*, in which it holds a 75% interest. This company will be offering online brokerage services in spot foreign exchange to a retail clientele, from the first quarter of 2003.

Finally, TSH acquired 100% of the capital of ONG Tradition Singapore (Pte) Ltd., renamed *Tradition Singapore (Pte) Ltd.* TSH had held a 49% stake in the company at the end of 2001.

## Infotec S.A.

At 31 December 2001, the Group directly and indirectly held a 45.53% interest in Infotec S.A., a company specialised in providing online financial information. In July 2002, Compagnie Financière Tradition subscribed an increase in the company's capital, bringing its consolidated interest to 73.56%.

Under an agreement entered into on 23 September and completed on 19 November 2002, Compagnie Financière Tradition sold 43.72% of Infotec S.A.'s capital to Edipresse S.A. At the same time, Edipresse S.A. granted Compagnie Financière Tradition an option to sell its remaining 29.84% interest in the company; this option was exercised on 30 December 2002. The total consolidated profit of CHF 10,411,000 realised on these disposals is reported under Financial income (cf. Note IV.3).

## II.3 Non-consolidated majority shareholdings

Three companies were excluded from the basis of consolidation at 31 December 2002 as they had no material effect on Group results:

- *Tradition CIS LLC*, Moscow, which ceased operations at the end of 1998. Tradition Service Holding S.A.'s investment in this company and the financing provided were fully provisioned at 31 December 2002,
- *Tradition Australia Ltd.*, a company capitalised at AUD 800,000, which ceased operations at the end of 1996. Tradition Service Holding S.A.'s investment in this company and the financing provided were fully provisioned at 31 December 2002,
- *Tradcom International*, a company capitalised at CHF 250,000, 34% held by Tradcom Management. This company, created at the end of 1998, had ceased all activities at 31 December 2000, and was in liquidation at 31 December 2002. Compagnie Financière Tradition's investment in this company and the financing provided were fully provisioned at 31 December 2002.

### III. NOTES TO THE CONSOLIDATED BALANCE SHEET

#### III.1 Cash and cash equivalents

##### Net liquid assets

in thousands of Swiss francs	2002	2001
Cash and call deposits	<b>113,341</b>	115,676
Short-term deposits	<b>58,939</b>	58,035
Short-term bank borrowings	<b>- 44,345</b>	- 32,686
Net cash at 31 December	<b>127,935</b>	141,025
Net cash at 1 January	<b>141,025</b>	89,856
<b>Net cash inflow/ outflow during the year</b>	<b>- 13,090</b>	51,169

This change in cash position during the year is detailed in the consolidated cash flow statement.

##### Marketable securities

The marketable securities portfolio comprised the following:

in thousands of Swiss francs	2002	2001
Short-term cash products	<b>43,277</b>	28,185
Bonds	<b>704</b>	1,444
Shares	<b>9,968</b>	17,730
Investment funds	<b>2,557</b>	2,381
<b>GROSS TOTAL</b>	<b>56,506</b>	49,740
Provisions for depreciation	<b>- 1,162</b>	- 613
<b>TOTAL</b>	<b>55,344</b>	49,127

#### III.2 Receivables and other assets

##### Trade debtors

These are short-term receivables representing a net amount of CHF 101,245,000 at 31 December 2002, compared to CHF 130,505,000 the previous year. They are booked at face value after deduction of economically necessary provisions.

##### Other short-term receivables

in thousands of Swiss francs	2002	2001
Employee current accounts	<b>7,168</b>	5,792
Public authorities	<b>4,760</b>	2,812
Security deposits	<b>2,785</b>	3,353
Other short-term receivables	<b>21,480</b>	12,707
<b>TOTAL</b>	<b>36,193</b>	24,664

These receivables are booked at their face value.

At 31 December 2002, Compagnie Financière Tradition and its subsidiaries held total receivables of CHF 4,387,000 from Infotec S.A., a former subsidiary (CHF 5,775,000 in 2001, reported under "Receivables from affiliated companies"); this amount consisted of a medium-term subordinated loan. Under the terms of a transfer agreement of 16 January 2003, this loan was transferred to Edipresse S.A., the new majority shareholder of Infotec S.A. in January 2003. Accordingly, the amount of CHF 4,387,000 was reclassified under "Other short-term receivables" at 31 December 2002. This heading also includes an amount of CHF 3,633,000 due from Edipresse S.A., representing the selling price of the balance of Compagnie Financière Tradition's interest in Infotec S.A., which was repaid in January 2003.

##### Prepaid expenses and accrued income

in thousands of Swiss francs	2002	2001
Prepaid expenses	<b>9,513</b>	11,528
Deferred tax asset	<b>3,795</b>	3,747
Other accrued income	<b>311</b>	29
<b>TOTAL</b>	<b>13,619</b>	15,304

# Notes to the consolidated financial statements

## Other long-term receivables

This item contains receivables held by Compagnie Financière Tradition and its subsidiaries from its former ultimate majority shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These receivables, totalling CHF 9,135,000 at 31 December 2002 (CHF 9,162,000 at 31 December 2001) are guaranteed by VIEL & Cie Finance, ultimate indirect shareholder of Compagnie Financière Tradition. Since the beginning of the liquidation, Compagnie Financière Tradition and its subsidiaries have received liquidation dividends totalling CHF 16,189,000, equivalent to 62.0% of all stated receivables. An additional dividend equivalent to 4.0% of stated receivables, was received in January 2003.

## III.3 Financial investments

### Associated undertakings and other investments

This item includes Compagnie Financière Tradition's equity holdings in associated companies, consolidated using the equity method, and in companies where it holds the majority shareholding but which are not included in the basis of consolidation (cf. Note II.3). It also includes minority interests acquired with a view to a long-term holding.

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
<b>Associated undertakings</b>		
Banque Pallas Monaco	-	578
Govdesk LLC	460	550
Fincor SGPS	964	737
StreamingEdge.com Inc.	787	726
Current Capital LP	418	-
	<b>2,629</b>	2,591
<b>Other investments</b>		
Tradition Australia Ltd.	850	850
Tradition CIS LLC	230	230
Tradcom International	85	85
Eurobrokers Finacor Ltd.	6,672	-
Other investments	2,339	2,056
	<b>10,176</b>	3,221
<b>GROSS TOTAL</b>	<b>12,805</b>	5,812
Provisions for depreciation	- 3,166	- 3,132
<b>TOTAL</b>	<b>9,639</b>	2,680

An analysis of the Group's share in the results of associated undertakings is as follows:

in thousands of Swiss francs	2002	2001
Infotec S.A.	- 2,278	- 3,576
Banque Pallas Monaco	-	44
Govdesk LLC	262	234
Fincor SGPS	223	- 310
StreamingEdge.com Inc.	- 11	- 160
Current Capital LP	- 1,239	-
<b>TOTAL</b>	<b>- 3,043</b>	- 3,768

Banque Pallas Monaco was liquidated in 2002, with no material effect on the Group's consolidated results. The negative value of Infotec S.A., sold by Compagnie Financière Tradition at the end of 2002, was presented at 31 December 2001 under the heading "Contingency and loss provisions" (cf. Note III.6).



**Treasury shares**

At 31 December 2002, the Company held 7,308 treasury shares with a nominal value of CHF 2.50. These shares were acquired at a purchase value of CHF 339,000. Movements on treasury shares during the period were as follows:

	Book value in thousands of Swiss francs	Acquisition cost or realisation price in thousands of Swiss francs	No. of shares of CHF 2.50 nominal
<b>Situation at 1 January 2002</b>	<b>1,730</b>	<b>1,730</b>	<b>42,308</b>
Acquisitions in 2002	10,379	10,379	152,548
Sales in 2002	- 11,770	- 10,800	- 187,548
Capital losses for the year	-	- 970	-
<b>Situation at 31 December 2002</b>	<b>339</b>	<b>339</b>	<b>7,308</b>

**III.4 Tangible and intangible fixed assets****Tangible fixed assets**

Consolidated tangible fixed assets of Compagnie Financière Tradition are as follows:

in thousands of Swiss francs	2002			2001		
	Gross	Amort.	Net	Gross	Amort.	Net
Land and buildings	7,516	-	7,516	7,516	-	7,516
Fixtures and installations	41,269	33,159	8,110	37,766	30,476	7,290
Computer and telecom. equipment	34,558	22,287	12,271	49,967	35,979	13,988
Other tangible fixed assets	3,225	2,243	982	1,017	573	444
<b>TOTAL</b>	<b>86,568</b>	<b>57,689</b>	<b>28,879</b>	96,266	67,028	29,238

The item "Land and buildings" includes buildings in Lausanne owned by Compagnie Financière Tradition. These land and buildings are recorded on the balance sheet at their original cost price at the time of construction in 1971, i.e. CHF 7,516,000, which is significantly lower than their market value at 31 December 2002. No depreciation has been made on this property.

# Notes to the consolidated financial statements

Changes in tangible fixed assets in 2002 and 2001 were as follows:

in thousands of Swiss francs	2002	2001
<b>Gross value at 1 January</b>	<b>96,266</b>	92,673
Changes in the basis of consolidation	120	5,096
Translation adjustments	- 8,262	- 425
Acquisitions during the year	10,258	8,142
Disposals and write-offs	- 11,814	- 9,220
<b>Gross value at 31 December</b>	<b>86,568</b>	96,266
<b>Cumulative depreciation at 1 January</b>	<b>67,028</b>	66,017
Changes in the basis of consolidation	83	1,064
Translation adjustments	- 5,764	- 547
Amortisation and depreciation for the year	8,156	9,606
Disposals and write-offs	- 11,814	- 9,112
<b>Cumulative depreciation at 31 December</b>	<b>57,689</b>	67,028
<b>Net value at 31 December</b>	<b>28,879</b>	29,238

Fire insurance value at 31 December 2002 stood at CHF 80,867,000 for installations and equipment and CHF 18,104,000 for buildings (CHF 91,505,000 and CHF 17,775,000 respectively at 31 December 2001).

## Intangible fixed assets

Intangible fixed assets comprised the following:

in thousands of Swiss francs	2002			2001		
	Gross	Amort.	Net	Gross	Amort.	Net
Telephone rights	1,917	1,647	270	2,112	1,568	544
Intangible business assets	1,664	694	970	1,487	168	1,319
Goodwill	11,382	2,662	8,720	13,452	1,959	11,493
Other intangible fixed assets	15,197	11,342	3,855	13,680	9,016	4,664
<b>TOTAL</b>	<b>30,160</b>	<b>16,345</b>	<b>13,815</b>	30,731	12,711	18,020

## Goodwill

Goodwill arising on acquisitions was as follows:

in thousands of Swiss francs	2002				2001
	Gross	Accrued amort.	Net	Amort. for the period	Net
TFS	3,459	1,111	2,348	334	2,441
Infotec S.A.	-	-	-	398	1,963
StreamingEdge.com Inc.	691	184	507	69	576
Govdesk LLC	547	146	401	61	554
Finacor Rabe AG	3,279	465	2,814	316	2,834
Finacor Deutschland GmbH	3,051	401	2,650	286	2,719
Capstone Global Energy LLC	355	355	-	374	406
<b>TOTAL</b>	<b>11,382</b>	<b>2,662</b>	<b>8,720</b>	<b>1,838</b>	11,493

### III.5 Accrued expenses and deferred income

#### Other short-term debts

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Public authorities	<b>13,356</b>	12,331
Trade creditors	<b>5,711</b>	3,937
Other short-term debts	<b>18,932</b>	27,797
<b>TOTAL</b>	<b>37,999</b>	44,065

#### Accrued expenses and deferred income

This item is broken down as follows:

in thousands of Swiss francs	2002	2001
Employee compensation and benefits	<b>59,902</b>	78,499
Other miscellaneous accrued expenses	<b>22,694</b>	26,813
<b>TOTAL</b>	<b>82,596</b>	105,312

#### Taxes payable

Consolidated taxes payable at 31 December 2002 totalled CHF 14,897,000 compared with CHF 19,603,000 at 31 December 2001.

#### Long-term financial debts

Long-term financial debts of CHF 1,753,000 at 31 December 2002 consisted of JPY 150 million owed by Meitan Tradition Co. Ltd. (JPY 150 million or CHF 1,929,000 at 31 December 2001) repayable in November 2010.

### III.6 Contingency and loss provisions

Contingency and loss provisions were as follows:

in thousands of Swiss francs	2002	2001
Provisions for pension benefits	<b>5,238</b>	3,988
Negative value of Infotec S.A. consolidated under the equity method	-	4,841
Negative goodwill	<b>928</b>	4,612
Other contingent liabilities	<b>4,116</b>	948
<b>TOTAL</b>	<b>10,282</b>	14,389

Negative goodwill was recognised at the time of purchasing interests in Finacor Belgique S.A. and Monecor (London) Ltd. in June 2001, in the amount of CHF 1,855,000 and CHF 3,066,000 respectively. Negative goodwill on Finacor Belgique S.A. is being amortised over three years, i.e. an income of CHF 618,000 in 2002 recognised under "Goodwill amortisation".

The negative goodwill in respect of Monecor arose from legal contingencies. Monecor had a 50% participating interest in the English company Eurobrokers Finacor Ltd. (EBFL), a joint venture operated by Monecor and Maxcor Financial Group Inc., an American financial broker.

As mentioned in the Introduction to the consolidated financial statements, on 11 February 2003, the Court of Appeal in London dismissed the appeal of Monecor. As a result, Monecor had to sell its holding in EBFL on 19 February 2003 for GBP 1,625,000 (CHF 3,628,000), the price calculated on the basis of 70% of EBFL's equity at 26 December 2000.

Accordingly, EBFL was excluded from the consolidated accounts at 31 December 2002. A contingency provision of CHF 4,116,000 was booked at 31 December 2002, CHF 3,066,000 of which came from reclassification of the original negative goodwill. This provision covers the loss incurred on the disposal, calculated as the difference between the selling price and EBFL's contribution to consolidated equity at 31 December 2001, as well as all legal costs.

# Notes to the consolidated financial statements

## III.7 Account holder activities

Tradition Securities And Futures S.A. exercises an account holder activity, meaning it receives deposits from its clients. These deposits are then placed with clearing institutions to ensure a satisfactory conclusion to the clients' operations. Its subsidiary MIA mainly specialises in matched principal operations, resulting in it having to show on its balance sheet, in the short-term, securities purchased in the market on behalf of its clients.

Tradition Orient FX Co. Ltd. and Monecor (London) Ltd., as part of their online brokerage activities in spot foreign exchange, receive deposits from their clients, which in turn they deposit with their clearing bank.

Assets and liabilities associated with this activity, booked in the balance sheet under "Receivables linked to account holder activities" and "Debts linked to account holder activities" were as follows at 31 December 2002 and 2001:

in thousands of Swiss francs	2002	2001
<b>Receivables linked to account holder activities</b>		
Deposits paid	1,162	255
Current accounts with clearing institutions	10,420	10,315
Dealing accounts	43,414	49,967
<b>TOTAL</b>	<b>54,996</b>	60,537
<b>Debts linked to account holder activities</b>		
Deposits received	- 961	- 590
Current accounts with clearing institutions	- 10,338	- 9,669
Dealing accounts	- 42,578	- 49,069
<b>TOTAL</b>	<b>- 53,877</b>	- 59,328
<b>NET TOTAL</b>	<b>1,119</b>	1,209

The net balance of this activity represents the difference between the amounts received from clients and the amounts paid to clearing institutions. This balance is held in bank deposits or borrowed short.

## III.8 Receivables from and debts to shareholder and associated companies

The items "Receivables from shareholder and associated companies" and "Debts to shareholder and associated companies" include all receivables and debts owed by Compagnie Financière Tradition Group to its ultimate majority shareholder, VIEL & Cie Finance, Paris, and its subsidiaries.

Compagnie Financière Tradition's total outstanding consolidated net debt to shareholder and associated companies at 31 December 2002 stood at CHF 12,990,000 (net debt of CHF 12,248,000 in 2001).

## III.9 Share capital

### Composition of share capital

Capital at 31 December 2001 consisted of 2,652,350 bearer shares with a nominal value of CHF 5.00, for a total capital of CHF 13,261,750.

The Annual General Meeting of 17 May 2002 approved a two-for-one share split, which was implemented on 4 July 2002. At December 2002, capital consisted of 5,304,700 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,261,750.

### Major shareholders

At 31 December 2002, the only shareholder holding over 5.0% of equity voting rights in Compagnie Financière Tradition was VIEL & Cie Finance, Paris, with 72.40%, compared to 72.31% the previous year.

The 72.40% equity voting rights held by VIEL & Cie Finance, Paris, are exercised indirectly through Financière Vermeer B.V., Amsterdam, 100% owned by VIEL & Cie, Paris, which itself was 58.40% held by VIEL & Cie Finance at 31 December 2002.

### Increase in share capital

Share capital may be increased by up to CHF 5,713,250, through the issue of up to 2,285,300 new bearer shares of CHF 2.50. The issue price of such new shares and the date from which they are to pay dividends shall be determined by the Board of Directors. This authorisation, renewed by the Annual General Meeting of 11 May 2001, is valid until 11 May 2003.

The Board of Directors is empowered to cancel or limit existing shareholders' preferential subscription rights to allow acquisitions or equity interest acquisitions to take place. Share subscription rights for which a preferential subscription right is granted but not exercised are available to the Board of Directors for use in the Company's interests.

**Conditional capital**

Share capital may be increased by up to CHF 1,325,000 through the issue of up to 530,000 bearer shares of CHF 2.50. Such an increase is effected through the exercise of preferential subscription rights by Company employees. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

Share capital may also be increased by up to CHF 5,000,000 through the issue of up to 2,000,000 bearer shares of CHF 2.50. Such an increase is effected through the exercise of a conversion feature attached to the Company's issue of bonds or similar convertible notes on national and international markets. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors, with a conversion right based on an issue price of no less than the average quoted price of the last twenty sessions prior to the issue date. The preferential rights of shareholders to subscribe to such notes are cancelled. The conversion rights may be exercised for a period not exceeding five years from the date of issue, after which time such rights will automatically expire.

**III.10 General reserve**

The general reserve is not available for distribution.

**III.11 Consolidated reserves**

This item includes cumulative consolidated currency translation adjustments, which decreased by CHF 14,319,000 in 2002 (decrease of CHF 3,130,000 in 2001).

**IV. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT****IV.1 Net turnover**

Consolidated turnover fell 4.5%, from CHF 829.2 million in 2001 to CHF 791.5 million in 2002. With the same scope of consolidation, excluding acquisitions and disposals of undertakings in 2002, turnover would have dropped 5.6%. Turnover would have been up 0.8% in constant terms, without the effects of exchange rates and changes in the basis of consolidation.

This turnover results from commissions on brokerage operations conducted by Compagnie Financière Tradition's affiliates for a broad clientele of banks, financial institutions and large corporations.

The segmental and geographical analysis of revenues is as follows:

in thousands of Swiss francs	<b>TSH</b>		<b>TFS</b>		<b>HTS</b>		<b>TOTAL</b>	
	<b>2002</b>	2001	<b>2002</b>	2001	<b>2002</b>	2001	<b>2002</b>	2001
Europe	<b>188,114</b>	216,140	<b>85,627</b>	74,495	<b>97,259</b>	97,475	<b>371,000</b>	388,110
United States	<b>223,018</b>	241,552	<b>65,620</b>	76,503	-	-	<b>288,638</b>	318,055
Asia - Pacific	<b>109,957</b>	102,033	<b>21,910</b>	20,982	-	-	<b>131,867</b>	123,015
<b>TOTAL</b>	<b>521,089</b>	559,725	<b>173,157</b>	171,980	<b>97,259</b>	97,475	<b>791,505</b>	829,180

TSH, Tradition Service Holding, is a broker specialised in money market products, interest rate derivatives and credit derivatives. TFS is a broker in currency options and equity derivatives, as well as energy and precious metals. HTS, Holding Tradition Securities, brokers exchange-traded securities and financial futures.

# Notes to the consolidated financial statements

## IV.2 Other operating income

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Net income on real estate assets	310	531
Net income from the TFS-ICAP joint venture	118	331
Insurance payments received in relation to September 11	5,747	2,802
Compensation payments received from New York City	233	–
<b>TOTAL</b>	<b>6,408</b>	3,664

## IV.3 Net financial income

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Income from investments	266	1,175
Net capital gains on investments and marketable securities	25,861	15,225
Net losses on sale of treasury shares	– 970	– 194
Interest and exchange gains and losses	– 680	5,427
Provisions on investments	– 1,200	– 1,967
<b>TOTAL</b>	<b>23,277</b>	19,666

Net financial income of CHF 23,277,000 in 2002 (CHF 19,666,000 in 2001) consisted of interest from the reinvestment of short-term cash, interest paid on the short-term consolidated debt, and exchange gains and losses.

This item also includes income of CHF 266,000 (CHF 1,175,000 in 2001) from non-consolidated investments, and net gains of CHF 25,861,000 (CHF 15,225,000 in 2001) on the sale of investments and marketable securities. A consolidated profit of CHF 14,075,000 was recognised on the disposal of Compagnie Financière Tradition's interest in Euronext N.V., held by its subsidiary MIA, Paris (the effect of this disposal on net profit - Group share amounted to CHF 3,889,000), as well as a consolidated profit of CHF 10,411,000 on the disposal of its holding in Infotec S.A. (cf. Note II.2).

## IV.4 Exceptional items

in thousands of Swiss francs	2002	2001
<b>Exceptional income</b>		
Partial use of the contingency provision	948	2,428
Cancellation of debts	54	–
<b>TOTAL</b>	<b>1,002</b>	2,428
<b>Exceptional expenses</b>		
Other exceptional items	– 2,454	– 2,428
<b>TOTAL</b>	<b>– 2,454</b>	– 2,428
<b>EXCEPTIONAL ITEMS</b>	<b>– 1,452</b>	–

A contingency provision of CHF 9,865,000 was set aside in 1996 and 1997 to cover risks involving Compagnie Financière Tradition and its affiliates. This provision was gradually written back in 1998, 1999 and 2001, with the balance recovered in 2002. At the same time an exceptional charge was recognised for costs and penalties sustained in those years, amounting to CHF 5,647,000 in 1998, CHF 842,000 in 1999, CHF 2,428,000 in 2001 and CHF 933,000 in 2002 respectively.

An exceptional contingency provision of CHF 1,050,000 was recognised in 2002, in connection with litigation against Maxcor Financial Group Inc. (cf. Note III.6), as well as CHF 471,000 for associated legal costs.

## IV.5 Income tax expense

Compagnie Financière Tradition took a consolidated income tax charge of CHF 31,998,000 in 2002, or 41.2% of the consolidated profit before tax against 37.5% in 2001. The Group is present in sixteen countries through its network of subsidiaries, making it liable for income tax in several tax jurisdictions.

The average standard consolidated tax rate, calculated as the weighted average of all tax rates in effect in the various tax jurisdictions in which the Group has subsidiaries, was 35.4% for fiscal 2002 against 37.0% in the previous year.

An analysis of the difference between the effective tax rate and the standard tax rate is as follows:

	2002		2001	
	Effect on tax rate (%)	Effect on tax charge (CHF 000)	Effect on tax rate (%)	Effect on tax charge (CHF 000)
<b>Standard tax rate</b>	<b>35.38</b>	<b>27,477</b>	36.95	38,719
<b>Tax effect of the following elements:</b>				
Unadjusted tax loss carry forwards	- 3.62	- 2,810	- 2.90	- 3,041
Unadjusted tax loss for the period	5.25	4,081	3.32	3,474
Unadjusted tax loss from previous years	-	-	-	-
Tax expense for fully-consolidated fiscally transparent entities charged to minorities	- 1.29	- 999	- 2.33	- 2,439
Deferred tax income/expenses	0.10	73	- 2.51	- 2,636
Non-taxable income	- 5.51	- 4,285	- 1.76	- 1,842
Non-deductible expenses	9.27	7,206	6.17	6,464
Miscellaneous items	1.62	1,255	0.54	562
<b>Group's effective tax rate</b>	<b>41.20</b>	<b>31,998</b>	37.48	39,261

## V. ADDITIONAL INFORMATION

### V.1 Commitments and contingent liabilities

#### Guarantees and commitments given

in thousands of Swiss francs	2002	2001
Guarantees and commitments to third parties	22	27

#### Guarantees and commitments received

When VIEL & Cie 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 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 & Cie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

In 1999, 2000 and 2001, Compagnie Financière Tradition and its affiliates received repayments from Banque Pallas Stern and Comipar, equivalent to 50.8%, 7.2% and 4.0% of their receivables, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 62.0% of declared receivables. Residual receivables stood at CHF 9,135,000 at 31 December 2002. An additional dividend, representing 4.0% of all stated receivables, was received in January 2003.

### V.2 Off-balance sheet operations

in thousands of Swiss francs	2002	2001
Securities for delivery	52,289	102,717
Securities to be purchased	33,833	95,573
Futures purchased	-	90,532
Futures sold	-	91,102
Options purchased	-	391,933
Options sold	-	904,649
Securities received as guarantee	-	5,393
Securities given as guarantee	-	5,393

Purchases and sales of futures relate to proprietary arbitrage transactions conducted on the regulated markets by Tradition Securities And Futures S.A. Securities for delivery and to be purchased reflect purchase and sale transactions initiated prior to 31 December 2002 and liquidated after that date, in connection with matched principal activities realised by Tradition London Clearing Ltd., Tradition (Global Clearing) Inc. and Finacor Rabe AG.

# Notes to the consolidated financial statements

## V.3 Assets pledged or given as guarantees

in thousands of Swiss francs	2002	2001
Cash and security deposits frozen as a guarantee for brokerage activity	<b>11,635</b>	17,425

Apart from these cash deposits frozen in clearing institutions such as Euroclear or GSCC (Government Securities Clearing Corporation) - included in the consolidated balance sheet under "Short-term deposits" or "Marketable securities" - a number of Compagnie Financière Tradition's affiliates are subject to minimum equity restrictions imposed by the regulatory authorities, which limit the availability or free circulation of their liquid assets within the Group.

Compagnie Financière Tradition pledged a mortgage note of CHF 12.0 million encumbering its two buildings in Lausanne, whose net book value was CHF 7.5 million at 31 December 2002.

## V.4 Other information

### Dividends

Dividends paid by Compagnie Financière Tradition are subject to withholding tax of 35.0% in Switzerland. Shareholders resident in Switzerland may claim back the full tax. Foreign residents may obtain a tax credit under any applicable double taxation treaties in force between Switzerland and their country of tax residence.

### Earnings per share

Consolidated earnings per ordinary share of CHF 2.50 stood at CHF 6.00 in 2002 and CHF 8.90 in 2001, based on the weighted average number of shares outstanding in each of these two years.