

Company financial statements

Report of the statutory auditors	54
Profit and loss account 2002	55
Changes in retained earnings	55
Balance sheet at 31 December 2002	56/57
Notes to the Company financial statements	58/63

Report of the statutory auditors

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss and notes) of Compagnie Financière Tradition for the year ended 31 December 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these consolidated financial statements based on our review. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our review was conducted in accordance with standards promulgated by the Swiss profession, which require that a review be planned and performed to obtain moderate assurance about whether the financial statements are free from material misstatement. A review provides less assurance than an audit. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data on which the financial statements are based. We have not performed an audit, and, accordingly, we do not express an audit opinion.

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

We recommend that the 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)

Profit and loss account 2002

in thousands of Swiss francs	Notes	2002	2001
Dividends received	III.1	5,538	16
Other operating income	III.1	5,788	5,038
Financial results	III.1	- 524	1,735
Operating income		10,802	6,789
Employee compensation and benefits		- 1,447	- 1,265
Other operating expenses		- 3,223	- 1,659
Depreciation and amortisation		- 49	- 79
Operating expenses		- 4,719	- 3,003
OPERATING PROFIT		6,083	3,786
Exceptional income	III.2	5,583	2,428
Exceptional expenses	III.2	-	- 4,514
Taxes		- 174	- 846
NET PROFIT		11,492	854

Changes in retained earnings

in thousands of Swiss francs	2002	2001
RETAINED EARNINGS		
Retained earnings brought forward	66,823	76,536
Movements on reserve for treasury shares	598	-
Net profit for the year	11,492	854
RETAINED EARNINGS AT 31 DECEMBER	78,913	77,390
CHANGES IN RETAINED EARNINGS		
Retained earnings	78,913	77,390
Dividend of CHF 3.0/ CHF 2.0 per bearer share of CHF 2.50 nominal value	- 15,914	- 10,609
Dividend on treasury shares	-	42
RETAINED EARNINGS CARRIED FORWARD	62,999	66,823

The Board of Compagnie Financière Tradition will be recommending to the Annual General Meeting a dividend of CHF 3.0 (CHF 2.0 in 2001) a share, plus one bonus share for every 50 shares held.

Balance sheet at 31 December 2002

ASSETS

in thousands of Swiss francs	Notes	2002	2001
CURRENT ASSETS			
Cash and call deposits		6,232	3,465
Term deposits		14,000	–
Short-term receivables from affiliated companies	II.3	5,499	8,476
Other short-term receivables	II.3	10,295	618
Marketable securities		1,492	1,538
Prepaid expenses and accrued income		221	291
TOTAL CURRENT ASSETS		37,739	14,388
FIXED ASSETS			
Long-term receivables from affiliated companies	II.2	58,935	89,951
Receivables from direct and ultimate shareholders		–	20
Other long-term receivables	II.3	7,804	7,804
Investments	II.1	43,212	44,295
Treasury shares	II.7	339	1,730
Installations and equipment	II.4	316	402
Buildings	II.4	7,516	7,516
TOTAL FIXED ASSETS		118,122	151,718
TOTAL ASSETS		155,861	166,106

LIABILITIES

in thousands of Swiss francs	Notes	2002	2001
CREDITORS			
Short-term bank borrowings		-	2,000
Short-term debts to affiliated companies		6,483	5,513
Debts to shareholders		7,461	6,887
Other short-term debts	II.5	952	943
Taxes payable		1,392	339
Accrued expenses and deferred income	II.5	824	508
Long-term debts to affiliated companies	II.5	8,938	20,083
Contingency and loss provisions		-	948
TOTAL CREDITORS		26,050	37,221
SHAREHOLDERS' EQUITY			
Share capital	II.6	13,262	13,262
Share premium		8,713	8,712
General reserve		13,284	13,284
Reserve for treasury shares		339	937
Other reserves		15,300	15,300
Retained earnings		78,913	77,390
TOTAL SHAREHOLDERS' EQUITY		129,811	128,885
TOTAL LIABILITIES		155,861	166,106

Notes to the Company financial statements

I. ACCOUNTING PRINCIPLES

The accounting principles applied by Compagnie Financière Tradition comply with the provisions of the Swiss Code of Obligations and the SWISS GAAP RPC, as contained in the Listing of the Swiss Stock Exchange, particularly the conservatism principle.

The basic principles applied in the evaluation and presentation of balance sheet items are as follows:

Current assets and short-term debts

Current assets and short-term debts are stated in the balance sheet at face value, after deduction of economically required provisions. Assets and liabilities denominated in foreign currencies are translated into Swiss francs at the year-end exchange rate. Marketable securities are recognised on the balance sheet at their acquisition cost, after deduction of necessary provisions, and are valued on the basis of their stock market price, for listed securities, or their estimated realisable value, for unlisted securities.

Fixed assets

Long-term receivables

Long-term receivables are stated in the balance sheet at their face value at historical exchange rates, when their nature is that of quasi-equity capital. Otherwise, they are translated at the year-end exchange rates, after deduction of economically necessary provisions.

Investments

Holdings are stated at cost, translated at historical exchange rates. If the value of a company, based on net worth and anticipated results, appears to be less than the historical cost, a provision is made and carried in the section as a deduction.

These provisions are estimated individually for each company.

Tangible fixed assets

Buildings are valued at cost or net worth after deduction of economically necessary provisions. Other fixed assets are shown in the accounts at cost and amortised over their estimated useful life.

II. NOTES TO THE BALANCE SHEET

II.1 Investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Share capital		Percentage shareholding		Acquisition cost	
	in thousands of local currency		%		in thousands of Swiss francs	
			2002	2001	2002	2001
Tradition Service Holding S.A., Lausanne	CHF	21,000	100.00	100.00	20,892	20,892
TFS, Lausanne	CHF	3,441	70.77	69.64	12,325	11,330
Holding Tradition Securities S.A., Lausanne	CHF	250	100.00	100.00	250	250
Holding Tradition Clearing, Lausanne	CHF	100	100.00	100.00	50	50
Tradcom Management, Lausanne	CHF	100	100.00	100.00	100	100
Tradificom International, Lausanne	CHF	100	100.00	100.00	100	50
Cofitra Investments Inc., British Virgin Islands	USD	5,000	100.00	100.00	8,880	8,880
Infotec S.A., Geneva	CHF	10,000	-	43.87	-	2,193
StreamingEdge.com Inc., New Jersey	USD	1,000	60.00	60.00	1,698	1,698
Other investments					932	932
GROSS TOTAL					45,227	46,375
Provisions for depreciation					- 2,015	- 2,080
TOTAL					43,212	44,295

Notes to the Company financial statements

The first four companies above are sub-holdings, which in turn hold significant interests in companies active in the brokerage of financial products and their derivatives. Tradcom Management and Tradicom International provide the Group with information technology and telecommunication services. Cofitra Investments Inc. is a financial company. StreamingEdge.com Inc. develops online transactional platforms.

The net asset value, on which economically necessary provisions were estimated, was determined on the basis of the company financial statements or, when required, the consolidated financial statements of these companies, translated at year-end exchange rates. Such provisions stood at CHF 2,015,000 at 31 December 2002 compared with CHF 2,080,000 at 31 December 2001, resulting in a net recovery of CHF 65,000 in 2002, recognised under exceptional items.

At 31 December 2001, the Company held a 43.87% interest in Infotec S.A. In July 2002, Compagnie Financière Tradition subscribed an increase in the company's capital, bringing its total holding to 71.89%. Under an agreement entered into on 23 September and completed on 19 November 2002, Compagnie Financière Tradition sold 42.05% 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 profit of CHF 2,085,000 realised on these disposals is reported under Financial results (cf. Note III.1).

II.2 Long-term receivables from affiliated companies

This item was composed of the following:

	Currency	Receivables in thousands of local currency		Receivables in thousands of Swiss francs	
		2002	2001	2002	2001
Tradition Service Holding S.A., Lausanne	CHF	39,851	68,867	39,851	68,867
Tradition Service Holding S.A., Lausanne	EUR	466	466	743	743
Holding Tradition Securities S.A., Lausanne	CHF	18,341	20,524	18,341	20,524
Infotec S.A., Geneva	CHF	-	4,387	-	4,387
GROSS TOTAL				58,935	94,521
Provisions for depreciation				-	- 4,570
TOTAL				58,935	89,951

Gross receivables from Holding Tradition Securities S.A. were subordinated to the extent of CHF 1,248,000 at 31 December 2002 (CHF 1,248,000 at 31 December 2001).

At 31 December 2001, Compagnie Financière Tradition had a subordinated loan outstanding to Infotec S.A., an affiliated company. This loan was fully subordinated and provisioned. At 31 December 2002, following the Company's disposal of its interest in Infotec S.A., the loan was reclassified in "Other short-term receivables", and the provision for amortisation, created in 2001, was fully recovered and booked under exceptional income (cf. Note III.2). Under the terms of a transfer agreement of 16 January 2003, the loan was transferred to Edipresse S.A., the new majority shareholder of Infotec S.A., in January 2002.

II.3 Other receivables

Short-term receivables from affiliated companies

These receivables stood at CHF 5,499,000 at 31 December 2002 (CHF 8,476,000 at 31 December 2001). They are payable in the short-term and result from day-to-day transactions between Compagnie Financière Tradition and affiliated companies.

Notes to the Company financial statements

Other short-term receivables

Other short-term receivables totalled CHF 10,295,000 at 31 December 2002 (CHF 618,000 in 2001), and comprised CHF 3,633,000 due from Edipresse S.A., representing the balance of the selling price of Compagnie Financière Tradition's interest in Infotec S.A. (cf. Note II.1), as well as an amount of CHF 4,387,000 outstanding from Infotec S.A., transferred to Edipresse S.A. in January 2003 (cf. Note II.2). These two receivables were repaid in January and February 2003 respectively.

Other long-term receivables

This item includes receivables held by Compagnie Financière Tradition on its former ultimate shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These receivables, totalling CHF 7,804,000 at 31 December 2002 (CHF 7,804,000 at 31 December 2001) are secured by a commitment from the new ultimate majority shareholder, VIEL & Cie Finance, Paris (cf. Note IV.2). From 1999 to 2001, Compagnie Financière Tradition received liquidation dividends totalling CHF 13,633,000 equivalent to 62.0% of all stated receivables. An additional liquidation dividend of 4.0% was received in January 2003.

II.4 Fixed assets

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	3,719	3,651	68	3,717	3,581	136
Computer and telecom. equipment	2,421	2,370	51	4,460	4,205	255
Other fixed assets	881	684	197	643	632	11
TOTAL	14,537	6,705	7,832	16,336	8,418	7,918

At 31 December 2002, fire insurance values stood at CHF 12,728,000 for installations and equipment, and CHF 18,104,000 for buildings (CHF 12,728,000 and 17,775,000 respectively at 31 December 2001).

II.5 Accrued expenses and other debts

Other short-term debts

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Employee current accounts	50	24
Public authorities	18	47
Other short-term debts	884	872
TOTAL	952	943

Accrued expenses and deferred income

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Employee compensation and benefits	535	135
Other miscellaneous accrued expenses	289	373
TOTAL	824	508

Long-term debts to affiliated companies

This item, which amounted to CHF 8,938,000 at 31 December 2002 (CHF 20,083,000 at December 2001), consists of a debt to Cofitra Investment Inc., British Virgin Islands, a dormant company in which Compagnie Financière Tradition holds a 100% direct interest.

II.6 Share capital

Changes in share capital over the past three financial years were as follows:

At 1 January 2000, share capital stood at CHF 12,683,500, consisting of 1,268,350 shares with a nominal value of CHF 10.00. Capital was increased by CHF 291,500 in April 2000, following the exercise of share options, bringing the share capital to CHF 12,975,000 at 31 December 2000, consisting of 1,297,500 shares of CHF 10.00.

Notes to the Company financial statements

The Annual General Meeting of 11 May 2001 approved the halving of the nominal value of shares to CHF 5.00 per share, and in July 2001, share capital was increased by CHF 286,750 in consideration of Compagnie Financière Tradition's acquisition of four investments. These two operations brought the number of shares at 31 December 2001 to 2,652,350 and issued share capital to CHF 13,261,750.

Another two-for-one share split was approved by the Annual General Meeting of 17 May 2002 and was implemented on 4 July 2002. At 31 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% at 31 December 2001.

The 72.40% interest held by VIEL & Cie Finance, Paris, is exercised indirectly through Financière Vermeer B.V., Amsterdam, wholly 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 with a nominal value 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 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 of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

There were 460,494 employee share options outstanding at 31 December 2002, representing a potential increase in capital of CHF 1,151,235. An analysis of these options is as follows:

	No. of shares of CHF 2.50 nominal value	Potential increase in capital in Swiss francs	Exercise date	Expiry date	Exercise price in Swiss francs
Plan of 29.09.97	48,400	121,000	16,000 shares on 29.09.99 16,000 shares on 29.09.00 16,400 shares on 29.09.01	28.09.04	9.0
Plan of 10.03.00	266,000	665,000	88,800 shares on 10.03.01 88,800 shares on 10.03.02 88,400 shares on 10.03.03	09.03.12	60.0
Plan of 17.05.02	40,000	100,000	40,000 shares on 17.05.04	16.05.16	97.5
Plan of 18.09.02	106,094	265,235	106,094 shares on 18.09.07	17.09.14	81.5
TOTAL	460,494	1,151,235			

Notes to the Company financial statements

Share capital may also be increased by up to CHF 5,000,000 through the issue of up to 2,000,000 bearer shares with a nominal value 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.

II.7 Treasury shares

At 31 December 2002, the Company held 7,308 treasury shares with a nominal value of CHF 2.50, booked at an acquisition value of CHF 339,000. Movements in 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 value
Situation at 1 January 2002	1,730	1,730	42,308
Acquisitions in 2002	10,379	10,379	152,548
Sales in 2002	- 11,770	- 10,800	- 187,548
Capital losses for the year	-	- 970	-
Situation at 31 December 2002	339	339	7,308

III. NOTES TO THE PROFIT AND LOSS ACCOUNT

III.1 Operating income

Dividends of CHF 5,538,000 were received from subsidiaries in 2002 (CHF 16,000 in 2001), CHF 5,040,000 of which were paid by Tradition Service Holding S.A. and CHF 498,000 by TFS.

Since Compagnie Financière Tradition became a pure holding company on 1 July 1998, it did not exercise any operational activities. As a holding company, it received rental income on its buildings of CHF 310,000 in 2002 (CHF 531,000 in 2001) and, since the second quarter of 2001, royalties from subsidiaries totalling CHF 5,478,000 for the year.

A net financial charge of CHF 524,000 was booked in 2002 (net financial income of CHF 1,735,000 in 2001), comprising the following:

in thousands of Swiss francs	2002	2001
Interest income and expense	- 286	2,122
Net exchange gains and losses	- 1,359	- 241
Net capital loss on disposal of treasury shares (cf. Note II.7)	- 970	- 194
Profit on disposal of Infotec S.A.	2,085	-
Other profit on investments	6	48
TOTAL	- 524	1,735

III.2 Exceptional income and expenses

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Exceptional income		
Liquidation of provisions on investments	65	–
Dissolution of depreciation allowances for long-term receivables from affiliated companies	4,570	–
Partial use of the contingency provision	948	2,428
TOTAL	5,583	2,428
Exceptional expenses		
Provision on investments	–	– 450
Allowance for long-term receivables from affiliated companies	–	– 4,064
TOTAL	–	– 4,514

IV. ADDITIONAL INFORMATION

IV.1 Commitments and contingent liabilities

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

The Company also issued comfort letters in favour of two of its indirectly held affiliates:

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

IV.2 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 the difference between aggregate receivables from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition in respect of such receivables.

This undertaking relates to receivables of EUR 14,032,000 declared by Compagnie Financière Tradition when 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 respect of such receivables.

In 1999, 2000 and 2001, Compagnie Financière Tradition received payments from Banque Pallas Stern and Comipar, equivalent to 50.8%, 7.2% and 4.0% of its disclosed receivables, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 62.0% of disclosed receivables. Residual receivables stood at CHF 7,804,000 at 31 December 2002. An additional payment was made in January 2003, equivalent to 4.0% of stated receivables.

IV.3 Pledged assets

Compagnie Financière Tradition pledged a mortgage note of CHF 12,000,000 encumbering its two buildings in Lausanne, whose net book value was at CHF 7,516,000 at 31 December 2002.



Compagnie Financière Tradition

11, rue Langallerie, CH 1003 Lausanne
T.: +41 21 343 52 52 • F.: +41 21 343 55 00
www.traditiongroup.com