

Tradition London Clearing Limited

Report and Accounts

31 December 2004



Tradition London Clearing Limited

Registered No: 3633863

Directors

G Craggs
R M Houldsworth
C Bienstock

Secretary

M W Hickman

Auditors

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

Bankers

NatWest
116 Fenchurch Street
London EC3M 5AN

Solicitors

Rowe & Maw
20 Blackfriars Lane
London EC4V 6HD

Registered Office

Beaufort House
15 St Botolph Street
London EC3A 7DT

Directors' report

The directors present their report and accounts of the company for the year ended 31 December 2004.

Results and dividends

The loss for the year was £189,091 (2003 – loss £141,820) as shown in the profit and loss account on page 5. The directors do not propose a dividend and propose that the loss is transferred to reserves.

Principal activity and review of the business

The company provides clearing services to other group companies.

Future developments

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

Directors and their interests

The directors who served during the year were as follows:

C Bienstock
G Craggs
R M Houldsworth

None of the directors had any interests in the share capital of the company or any other UK group company at any time during the year.

Auditors

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

By order of the board



Secretary

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of Tradition London Clearing Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

15 June 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	2	618,860	560,951
Total expenses		(915,897)	(794,350)
Operating loss	3	(297,037)	(233,399)
Net interest receivable		21,946	30,596
Loss on ordinary activities before taxation		(275,091)	(202,803)
Taxation	5	86,000	60,983
Loss for the year	11	(189,091)	(141,820)
Retained loss brought forward		(168,561)	(26,741)
Retained loss carried forward		(357,652)	(168,561)

The company had no recognised gains or losses other than the loss for the year.

Balance sheet

at 31 December 2004

	Notes	2004 £	2003 £
Tangible fixed assets	6	151,007	152,116
Current assets			
Debtors	7	1,430,389	1,998,033
Cash at bank and in hand		499,687	513,268
		1,930,076	2,511,301
Creditors: amounts falling due within one year	9	1,438,735	1,831,978
Net current assets		491,341	679,323
		642,348	831,439
Capital and reserves			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account		(357,652)	(168,561)
		642,348	831,439

The accounts were approved by the board of directors and were signed on its behalf by:



Director

Notes to the accounts

at 31 December 2004

1. Accounting policies

The accounts are prepared under the historical cost convention in compliance with the requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

Transaction accounting

Securities transactions are recorded on a trade date basis. The accounts reflect assets and liabilities relating to transactions which are due for settlement after the balance sheet date.

Foreign currencies

Monetary assets and liabilities are translated into sterling at the rates ruling at 31 December 2004. Profits arising in foreign currencies which have been remitted have been translated at the rates ruling at the time of their remittance. Foreign currency cash balances retained to finance overseas dealings are translated into sterling at the rates ruling at 31 December 2004. Differences arising on year-end translation are dealt with through the profit and loss account.

Depreciation

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

Equipment - 20%

Deferred taxation

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

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

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

2. Turnover

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

3. Operating loss

This is stated after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration	7,000	12,000
Exchange loss/(gain)	27,091	(16,773)
Depreciation	34,374	14,490
	<u> </u>	<u> </u>

Notes to the accounts

at 31 December 2004

4. Staff costs

None of the directors received any remuneration during the year in respect of their services as directors of the company.

	2004 No.	2003 No.
The number of employees was	1	4

5. Taxation

	2004 £	2003 £
UK corporation tax at 30%	88,000	69,037
Deferred tax	(2,000)	(8,054)
	<u>86,000</u>	<u>60,983</u>

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

	2004 £	2003 £
Loss on ordinary activities before tax	(275,091)	(202,803)
At standard rate of corporation tax of 30% (2003 - 30%)	<u>(82,527)</u>	<u>(60,841)</u>
Effect of:		
Disallowed expenses and non-taxable income	—	(142)
Adjustments for prior year taxation	<u>(3,473)</u>	<u>—</u>
Current tax credit for the year	<u>(86,000)</u>	<u>(60,983)</u>

Notes to the accounts

at 31 December 2004

6. Tangible fixed assets

	<i>Equipment</i>
	<i>£</i>
Cost	
At 31 December 2003	167,966
Additions in year	33,265
At 31 December 2004	201,231
Depreciation	
At 31 December 2003	15,850
Charge for the year	34,374
At 31 December 2004	50,224
Net book value:	
At 31 December 2004	151,007
At 31 December 2003	152,116

7. Debtors

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Sundry debtors	127,577	3,999
Due from clearing houses	1,287,812	1,924,997
Tax recoverable	15,000	69,037
	1,430,389	1,998,033

8. Deferred taxation

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Accelerated capital allowances		
At start of year	8,054	—
Credit for the year	2,000	8,054
At end of year	10,054	8,054

Notes to the accounts

at 31 December 2004

9. Creditors: amounts falling due within one year

	2004	2003
	£	£
Amounts owed to group undertakings	1,350,612	1,760,145
Other creditors and accruals	78,069	63,779
Deferred taxation	10,054	8,054
	<u>1,438,735</u>	<u>1,831,978</u>

10. Called up share capital

	2004	2003
	£	£
Authorised ordinary shares of £1 each	1,000,000	1,000,000
Allotted and fully paid ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

All shares have one vote and participate equally in the event of the winding up of the company.

11. Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 31 December 2003	1,000,000	(168,561)	831,439
Loss for the year	—	(189,091)	(189,091)
At 31 December 2004	<u>1,000,000</u>	<u>(357,652)</u>	<u>642,348</u>

12. Ultimate parent company

The company's immediate parent undertaking is Holding Tradition Clearing SA, a company registered in Switzerland.

The company's ultimate parent company and controlling party is Viel et Cie Finance, which is incorporated in France. Copies of its group accounts, which include the company, are available from 253, Bd. Pereire, 75017 Paris.

The company has taken advantage of the exemption from disclosing transactions with related parties that are part of Viel et Cie Finance group or investees of the group. The company has taken advantage of the exemption from disclosing a statement of cashflows.