

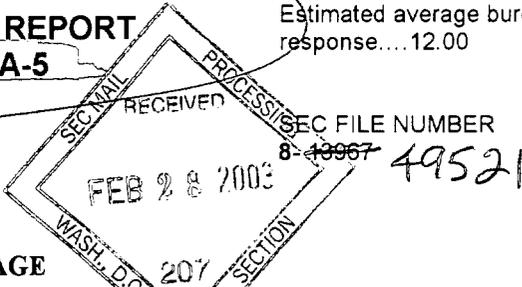


UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

OMB APPROVAL AJP 3/17/03 OMB Number: 3235-0123 Expires: October 31, 2004 Estimated average burden hours per response....12.00

JBS 3/5/03

ANNUAL AUDITED REPORT FORM X-17A-5 PART III



FACING PAGE Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/02 AND ENDING 12/31/02 MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Scudder Financial Services, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

Two International Place (No. and Street)

Boston (City)

Massachusetts (State)

02110-4103 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John W. Edwards, Jr.

212-602-1772

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP

(Name - if individual, state, last, first, middle name)

757 Third Avenue (Address)

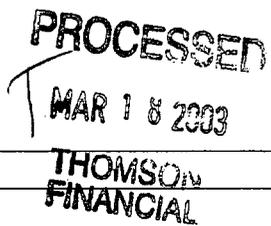
New York (City)

NY (State)

10017 (Zip Code)

CHECK ONE:

- [X] Certified Public Accountant [ ] Public Accountant [ ] Accountant not resident in United States or any of its possessions.



FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for exemption. See Section 240.17a-5(e)(2)

AJP 3/17/2003

OATH OR AFFIRMATION

I, John W. Edwards, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Scudder Financial Services, Inc., as of 12/31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ELEANOR CAVA  
Notary Public, State of New York  
No. 01CA5021937  
Qualified in Richmond County  
Commission Expires December 27, 2005  
*Eleanor Cava*  
Notary Public

*John W. Edwards, Jr.*  
Signature  
Financial and Operations Principal  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



345 Park Avenue  
New York, NY 10154



Independent Auditors' Report

The Board of Directors  
Scudder Financial Services, Inc.:

We have audited the accompanying statement of financial condition of Scudder Financial Services, Inc. (the "Company"), an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc., as of December 31, 2002 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit of a statement of financial condition includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition. An audit of a statement of financial condition also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Scudder Financial Services, Inc. as of December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

February 14, 2003



**SCUDDER FINANCIAL SERVICES, INC.**

(an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc.)

Statement of Financial Condition

December 31, 2002

**Assets**

Cash and cash equivalents	\$ 3,128,783
Other assets	<u>46,523</u>
Total assets	\$ <u>3,175,306</u>

**Liabilities and Stockholders' Equity**

Accounts payable and accrued expenses	\$ 10,000
Income taxes payable	175,275
Payable to affiliates	<u>3,078</u>
Total liabilities	<u>188,353</u>

Stockholders' equity:

Common stock, par value \$1.00 per share

Class A:

Authorized 2,500 shares, issued and  
outstanding, 1,500 shares

1,500

Class B:

Authorized, issued and  
outstanding, 1,000 shares

1,000

Paid-in capital in excess of par value

4,998,500

Accumulated deficit

(2,014,047)

Total stockholders' equity

2,986,953

Total liabilities and stockholders' equity

\$ 3,175,306

See accompanying notes to statement of financial condition.

**SCUDDER FINANCIAL SERVICES, INC.**

(an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc.)

Notes to Statement of Financial Condition

December 31, 2002

**(1) Organization and Business**

Scudder Financial Services, Inc. (the "Company"), an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc. (formerly known as Zurich Scudder Investments Inc. ("ZSI")) (the "Parent" or "DIMA"), was incorporated in Delaware on June 25, 1996 and is a registered broker-dealer in securities. ZSI was a majority owned subsidiary of Zurich Financial Services Group ("ZFSG"). On April 5, 2002, ZFSG sold ZSI to Deutsche Bank AG and changed the ZSI name to DIMA. DIMA is ultimately a wholly owned subsidiary of Deutsche Bank AG.

Pursuant to an agreement between the Company and Credit Suisse First Boston ("CSFB Direct"), customer securities transactions are introduced and cleared on a fully disclosed basis through CSFB Direct. The Company does not hold any customer accounts as of December 31, 2002 and therefore has no required deposit amount.

**(2) Summary of Significant Accounting Policies**

*Use of Estimates*

The preparation of the statement of financial condition in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

*Cash Equivalents*

Cash equivalents represent investments in affiliated Scudder money market mutual funds stated at net asset value. The Parent is the investment adviser for these funds.

(Continued)

**SCUDDER FINANCIAL SERVICES, INC.**

(an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc.)  
Notes to Statement of Financial Condition

**(2) Summary of Significant Accounting Policies (continued)**

*Common stock*

The Company has two classes of common stock. The Parent holds all Class B non-voting shares and 50% of the Class A voting shares and a direct subsidiary of the Parent holds the remaining 50% of the Class A voting shares.

*Securities transactions*

Securities transactions are recorded on a trade date basis.

*Income Taxes*

The Company is included in the consolidated federal income tax return of Taunus Corporation, the ultimate U.S. holding company. The federal income tax expense for the Company recorded in the financial statements is calculated as if the Company filed a separate return. The Company files state and local income tax returns on a combined basis with Taunus Corporation and other affiliates.

The Company accounts for income taxes under the asset and liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities.

**(3) Related Party Transactions**

The Company has intercompany payable balances to the Parent of \$3,078. During 2002 the Company declared and paid a dividend to the Parent of \$2,000 per class B share, for a total dividend of \$2,000,000.

**(4) Income Taxes**

The components of income tax liabilities at December 31, 2002 are as follows:

Current:	
Federal	\$ 118,924
State and local	<u>56,351</u>
Total	\$ <u>175,275</u>

**SCUDDER FINANCIAL SERVICES, INC.**

(an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc.)

Notes to Statement of Financial Condition

**(5) Regulatory Requirements – Net Capital**

Pursuant to the SEC's Uniform Net Capital Rule (Rule 15c3-1), the Company is required to maintain minimum net capital. The Company computes its required net capital using the aggregate indebtedness method. At December 31, 2002, the Company had net capital of \$2,807,854, which is in excess of its required net capital of \$250,000 by \$2,557,854. Aggregate indebtedness at December 31, 2002 was \$188,353 resulting in a ratio of 0.07 to 1. Capital may not be withdrawn nor dividends paid to the extent capital is required for continued compliance with Rule 15c3-1.



345 Park Avenue  
New York, NY 10154

Independent Auditors' Report on Internal Control required by SEC Rule 17a-5

To the Board of Directors  
Scudder Financial Services, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Scudder Financial Services, Inc. (the Company), an indirect wholly-owned subsidiary of Deutsche Investment Management Americas, Inc., for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e);
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13;
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 14, 2003