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Washington, D.C. 20549

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

SEC FILE NUMBER
8-42622

**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 JANUARY 1, 2003 AND ENDING DECEMBER 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TRADING SERVICES GROUP, INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

6075 POPLAR AVENUE, SUITE 700

(No. and Street)

MEMPHIS, TENNESSEE 38119

(City)

(State)

(Zip Code)

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

JOE D. MEALS

(901) 761-8080

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

THOMPSON DUNAVANT PLC

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

5100 POPLAR AVENUE, THIRTIETH FLOOR

(Address)

(City)

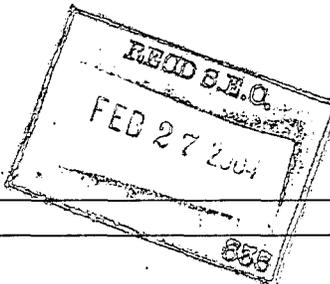
MEMPHIS, TENNESSEE 38137

(State)

(Zip Code)

CHECK ONE:

- 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 the exemption. See Section 240.17a-5(b)(1).

PROCESSED
MAR 24 2004
THOMSON FINANCIAL

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, JOE MEALS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TRADING SERVICES GROUP INC, as of DECEMBER 31, 2003, 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:

MY COMMISSION EXPIRES JULY 28, 2004

Joe Meals
Signature

PRESIDENT
Title

Selena West
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of 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).

TRADING SERVICES GROUP, INC.

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THOMPSON DUNAVANT PLC

Independent Auditor's Report

To the Stockholder
Trading Services Group, Inc.
Memphis, Tennessee

We have audited the accompanying statements of financial condition of Trading Services Group, Inc. as of December 31, 2003 and 2002, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trading Services Group, Inc. at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as of and for the year ended December 31, 2003 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the 2003 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2003 financial statements taken as a whole.



February 6, 2004

TRADING SERVICES GROUP, INC.

Statements of Financial Condition
December 31, 2003 and 2002

	<u>Assets</u>	
	<u>2003</u>	<u>2002</u>
Current assets		
Cash	\$ 44,652	\$ 74,746
Accounts receivable	290,960	349,430
Prepaid expenses	<u>2,798</u>	<u>5,140</u>
Total current assets	<u>\$ 338,410</u>	<u>\$ 429,316</u>
	<u>Liabilities and Stockholder's Equity</u>	
Current liabilities		
Due to parent company	\$ 144,877	\$ 246,456
Accrued expenses	<u>66,728</u>	<u>57,860</u>
Total current liabilities	211,605	304,316
Commitments and contingencies		
Stockholder's equity		
Common stock, \$250 stated value; 1,000 shares authorized, 100 shares issued and outstanding	25,000	25,000
Additional paid-in capital	100,000	100,000
Retained earnings	<u>1,805</u>	<u>-</u>
Total stockholder's equity	<u>126,805</u>	<u>125,000</u>
	<u>\$ 338,410</u>	<u>\$ 429,316</u>

The accompanying notes are an integral
part of these financial statements.

TRADING SERVICES GROUP, INC.

Statements of Operations
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Commissions	\$ 5,522,935	\$ 6,087,744
Other income	<u>480,790</u>	<u>175,890</u>
Total revenues	6,003,725	6,263,634
Expenses		
Management fees	4,675,000	4,656,450
Clearing fees	723,119	977,701
Compensation and benefits	337,310	382,351
Administration and other	<u>266,491</u>	<u>246,940</u>
Total expenses	<u>6,001,920</u>	<u>6,263,442</u>
Net income	<u>\$ 1,805</u>	<u>\$ 192</u>

The accompanying notes are an integral part of these financial statements.

TRADING SERVICES GROUP, INC.

Statements of Changes in Stockholder's Equity For the Years Ended December 31, 2003 and 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balances at January 1, 2002	\$ 25,000	\$ 100,000	\$ (192)	\$ 124,808
Net income for 2002	<u>-</u>	<u>-</u>	<u>192</u>	<u>192</u>
Balances at December 31, 2002	25,000	100,000	-	125,000
Net income for 2003	<u>-</u>	<u>-</u>	<u>1,805</u>	<u>1,805</u>
Balances at December 31, 2003	<u>\$ 25,000</u>	<u>\$ 100,000</u>	<u>\$ 1,805</u>	<u>\$ 126,805</u>

The accompanying notes are an integral
part of these financial statements.

TRADING SERVICES GROUP, INC.

Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income	\$ 1,805	\$ 192
Adjustments to reconcile net income to net cash used in operating activities		
Changes in assets and liabilities		
Accounts receivable	58,470	(43,693)
Prepaid expenses	2,342	171
Due to parent company	(101,579)	(41,365)
Accrued expenses	<u>8,868</u>	<u>57,860</u>
Net cash used in operating activities	<u>(30,094)</u>	<u>(26,835)</u>
Net decrease in cash	(30,094)	(26,835)
Cash at beginning of year	<u>74,746</u>	<u>101,581</u>
Cash at end of year	<u>\$ 44,652</u>	<u>\$ 74,746</u>

The accompanying notes are an integral
part of these financial statements.

TRADING SERVICES GROUP, INC.

Notes to Financial Statements
December 31, 2003 and 2002

Note 1 - Summary of significant accounting policies

Organization and nature of operations

Trading Services Group, Inc. (the "Company"), a Tennessee corporation, is a wholly-owned subsidiary of Consulting Services Group, LLC ("CSG" or "Parent"). The Company is registered with the Securities and Exchange Commission ("SEC"), National Association of Securities Dealers, Inc. ("NASD"), and National Futures Association ("NFA") and subject to regulation under the Securities Exchange Act of 1934. The Company is an introducing broker.

The Company executes all of its customers' transactions on a fully disclosed basis through clearing broker-dealers who carry the accounts and securities of the Company's customers.

Accounts receivable

Accounts receivable includes commissions and fee amounts receivable from clearing broker-dealers, and are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes off all balances not expected to be collected. Based upon management's assessment of the credit history with clearing broker-dealers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Revenue recognition

Commissions and related clearing expenses are recognized on a trade-date basis. Commissions are recorded at gross, and the amounts of clearing broker-dealer fees are recorded as expenses in the accompanying statements of operations.

Income taxes

The Company follows the asset and liability method for deferred income taxes as required by the provisions of Statement of Financial Accounting Standards No. 109. Under the asset and liability method, deferred income taxes are recognized, if applicable, for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which impact the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

TRADING SERVICES GROUP, INC.

Notes to Financial Statements (Continued)
December 31, 2003 and 2002

Note 1 - Summary of significant accounting policies (continued)

Statement of liabilities subordinated to the claims of general creditors

A statement of changes in liabilities subordinated to the claims of general creditors as required under Rule 17a-5 of the SEC is not presented since no such liabilities existed at December 31, 2003 or at any time during the year then ended.

Note 2 - Related party transactions

The Company is party to an informal originating fee and management fee arrangement under which CSG and all of its wholly-owned subsidiaries provide client referrals, management and support services. Total expenses incurred under this arrangement amounted to \$4,675,000 and \$4,656,450 for the years ended December 31, 2003 and 2002, respectively. Of this total, \$1,205,000 and \$1,600,000 for 2003 and 2002, respectively, relates to management fee charges from Alternative Investment Strategies, L.P. ("AIS"), a wholly-owned subsidiary of CSG.

The Company rents office space and purchases support services, including all personnel services from its Parent. Total expenses incurred for such items for the years ended December 31, 2003 and 2002 amounted to \$361,322 and \$297,806, respectively. Included in these amounts is \$43,200 in 2003 and \$43,100 in 2002 for rent expense.

Included in due to parent company at December 31, 2003 and 2002 is \$211,605 and \$304,316, respectively, representing unpaid balances relating to these expenses. The amount due to parent company for 2003 and 2002 is comprised of the net amounts payable to or receivable from CSG or AIS.

Note 3 - Commitments and contingencies

The Company may from time to time be involved in various claims and possible actions arising out of the normal course of business. Although the outcome of any such matters cannot be predicted with certainty, the Company believes that at the present time there are not pending or threatened matters that are reasonably likely to have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

Note 4 - Employee benefit plan

The Company participates in a qualified 401(k) profit sharing plan maintained by CSG. Employees who are twenty-one years of age with at least six months of employment are eligible to participate. Employees may voluntarily defer a percentage of their compensation, not to exceed maximum limits set by the Internal Revenue Service. Employer matching and nonelective contributions are discretionary.

TRADING SERVICES GROUP, INC.

Notes to Financial Statements (Continued)
December 31, 2003 and 2002

Note 5 - Income taxes

The provision for income taxes for the years ended December 31, 2003 and 2002 reflects no current income tax expense or benefit due to net operating loss carryforwards.

Note 6 - Net capital and reserve requirements

The Company is required to maintain minimum net capital pursuant to the "Uniform Net Capital Rule" (Rule 15c3-01) of the Securities Exchange Act of 1934, which requires that a broker-dealer's aggregate indebtedness, as defined, shall not exceed fifteen times net capital, subject to a \$50,000 minimum. In addition, the Company may not allow withdrawal of equity capital if its aggregate indebtedness exceeds ten times its net capital as defined under the Rule. At December 31, 2003 and 2002, the Company's net capital, as defined under the Rule, amounted to \$123,114 and \$107,800, respectively, which was \$73,114 and \$57,800, respectively, in excess of its required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was 1.72 to 1 at December 31, 2003 and 2.82 to 1 at December 31, 2002. Additionally, the Company is required by its clearing agent to maintain net capital of at least \$100,000.

SUPPLEMENTAL INFORMATION

TRADING SERVICES GROUP, INC.
Schedule I - Computation of Net Capital Pursuant to Rule 15c3-1 of the
Securities and Exchange Commission
December 31, 2003

Computation of Net Capital

Total stockholder's equity	\$ 126,805
Less nonallowable assets:	
Prepaid expenses	2,798
2% Haircut on securities (pursuant to Rule 15c3-1)	<u>893</u>
Net capital	<u>\$ 123,114</u>

Computation of Aggregate Indebtedness

Due to parent company	\$ 144,877
Accrued expenses	<u>66,728</u>
Total aggregate indebtedness	<u>\$ 211,605</u>

Computation of Basic Net Capital Requirement

Minimum net capital requirement, greater of \$50,000 or 6.67% of aggregate indebtedness	\$ 50,000
Net capital in excess of minimum requirement	<u>73,114</u>
Total net capital as computed above	<u>\$ 123,114</u>
Ratio of aggregate indebtedness to net capital	<u>1.72</u>

No material differences exist between the above computation and the corresponding computation most recently filed in the unaudited Form X-17A-5, Part II A as of December 31, 2003.

TRADING SERVICES GROUP, INC.
Schedule II - Computation for Determination of the Reserve Requirements
Under Securities and Exchange Commission Rule 15c3-3
December 31, 2003

Exemption Under Section (k)(2)(ii) has been Claimed

The Company is not required to file the above schedule as it has claimed exemption from Securities and Exchange Commission Rule 15c3-3 under Section (k)(2)(ii) of the rule. The Company is an introducing broker-dealer who clears all transactions with and for customers on a fully disclosed basis with clearing broker-dealers, and who promptly transmits all customer funds and securities to the clearing broker-dealers which carry all of the accounts of such customers and maintain and preserve such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by clearing broker-dealers.

TRADING SERVICES GROUP, INC.

Report of Independent Accountants on Internal Controls Required by SEC Rule
17a-5 for a Broker/Dealer Claiming an Exemption from SEC Rule 15c3-3
For the Year Ended December 31, 2003

To the Stockholder
Trading Services Group, Inc.
Memphis, Tennessee

In planning and performing our audit of the financial statements and supplemental information of Trading Services Group, Inc. (the "Company") for the year ended December 31, 2003, 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 financial statements and not to provide assurance on 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 making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. 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.

The management of the Company is responsible for establishing and maintaining 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 the transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

TRADING SERVICES GROUP, INC.

Report of Independent Accountants on Internal Controls Required by SEC Rule
17a-5 for a Broker/Dealer Claiming an Exemption from SEC Rule 15c3-3 (Continued)
For the Year Ended December 31, 2003

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors 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 one or more of the specific internal control components does not reduce to a relatively low level the risk that errors 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, 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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 those specified parties.

Thompson Dunavant PC

February 6, 2004