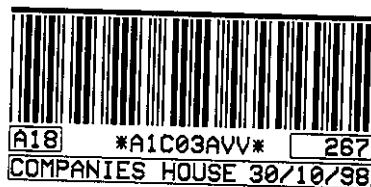


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**CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS**

**REPORT AND ACCOUNTS**

**1997**



[Company Number: 3045280]

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CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Board of Directors

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Stephen Hester Director

David Mulford Director

Robert Stevens Director

David Swain Director

# CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Directors' Report for the period ended 31st December, 1997

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The directors present their report and the accounts for the period ended 31st December, 1997.

## Activities

Credit Suisse First Boston (UK) Investment Holdings (the "Group") is the investment holding company primarily for the United Kingdom interests of Credit Suisse First Boston (International) AG a Swiss holding company whose ultimate parent is Credit Suisse Group.

Group interests include Credit Suisse First Boston (Europe) Limited, an international securities issuing and trading company; Credit Suisse First Boston Gilts Limited, a UK Government Primary Dealer; Credit Suisse First Boston Equities Limited, which trades as principal in UK equities; Credit Suisse First Boston Securities ZAO, Moscow, which carries out intermediary activities as a financial broker on the securities market in the Russian Federation; and Credit Suisse First Boston Canary Wharf Health Club Limited, which represents the Credit Suisse First Boston interest in the Canary Wharf Health Club partnership.

The principal activities of the Group include the arranging of finance for clients in the international capital markets and providing advisory services.

## Directors

The names of the directors as at the date of this report are set out on page one. Changes in the directorate since 31st December, 1996 and up to the date of this report are as follows:

Appointments	- Adrian R.T. Cooper	- 25th April, 1997
	- Paul N. Elliott	- 25th April, 1997
	- David Mulford	- 31st October, 1997
	- Stephen A. M. Hester	- 9th October, 1998
	- Robert Stevens	- 9th October, 1998
	- David A. J. Swain	- 9th October, 1998
Resignations	- Michael Prewer	- 28 <sup>th</sup> February, 1997
	- Adrian R. T. Cooper	- 9th October, 1998
	- Paul N. Elliott	- 9th October, 1998
	- Robert T. Stodel	- 9th October, 1998

None of the directors was beneficially interested, at any time during the year, in the shares of the Company.

The Company maintains insurance to indemnify its directors and officers in accordance with Section 310(3) of the Companies Act 1985.

Directors' Report for the period ended 31st December, 1997

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Results

The consolidated profit for the year was US\$16,904,000 (1996 - US\$45,913,000). No dividends were paid during the year (1996 - US\$Nil) and the directors do not propose a dividend for the year ended 31st December, 1997.

Share Capital

During the year, share capital of US\$193,002,700 (1996 - US\$Nil) was issued to fund capital contributions to subsidiary undertakings.

Capital contributions

During the period the Group received no capital contributions (1996 - US\$56,505,000).

Fixed assets

The movements in fixed assets are set out in Note 3.

Employee involvement and employment of disabled persons

During the year the Group maintained arrangements for keeping staff aware of and involved in the Group's progress.

The Group gives full and fair consideration to disabled persons in employment applications, training and career development.

Prompt Payment Code

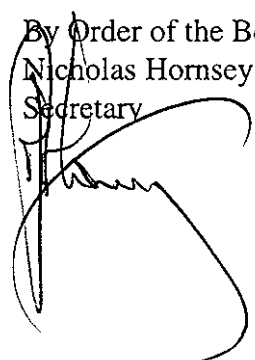
It is the policy of the Group to pay all invoices in accordance with contract and payment terms.

Donations

Charitable contributions of US\$246,753 (1996 - US\$282,360) were made during the period.

One Cabot Square  
London  
26<sup>th</sup> October, 1998

By Order of the Board,  
Nicholas Hornsey  
Secretary



Statement of Directors' Responsibilities

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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 Group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and Group will continue their business.

The directors are responsible for maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditor to the Members of Credit Suisse First Boston (UK) Investment Holdings

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We have audited the accounts on pages 6 to 26.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st December, 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG A. L. M.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

London  
26<sup>th</sup> October, 1998

CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Consolidated Balance Sheet as at 31st December, 1997

	Note	1997 US\$000's	1996 US\$000's
Fixed assets			
Tangible assets	3	188,545	83,249
Current assets			
Trading securities	4	20,046,147	19,909,147
Debtors	5	68,745,039	64,999,349
Cash at bank	6	396,123	374,110
		89,187,309	85,282,606
Creditors: amounts falling due within one year			
Trading securities sold, not yet purchased	7	(17,981,662)	(18,521,315)
Other creditors	8	(69,366,033)	(65,099,029)
		(87,347,695)	(83,620,344)
Net current assets		1,839,614	1,662,262
Total assets less current liabilities		2,028,159	1,745,511
Creditors: amounts falling due after more than one year			
Subordinated loan capital	9	(1,189,397)	(1,090,067)
Provisions for liabilities and charges			
Other provisions	10	(28,671)	(48,510)
		810,091	606,934
Capital and reserves			
Called up share capital	11	266,372	73,369
Share premium	12	362,600	362,600
Capital reserves	12	213,235	213,235
Goodwill	12	(95,962)	(95,962)
Profit and loss account	12	63,846	53,692
	13	810,091	606,934

The accounts were approved by the Board of Directors on 26<sup>th</sup> October, 1998 and were signed on its behalf by:



Robert Stevens  
Director

The notes on pages 9 to 26 form part of these accounts

CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Consolidated Profit and Loss Account for the year ended 31st December, 1997

Continuing Operations

	Note	1997 US\$000's	1996 US\$000's
Operating income	14	953,979	679,176
Administrative expenses		(909,228)	(566,134)
Profit on ordinary activities before taxation	15	44,751	113,042
Tax on profit on ordinary activities	16	(27,847)	(67,129)
Profit retained for the year	12	16,904	45,913

A statement of movements on reserves is given in note 12.

Statement of Recognised Gains and Losses for the year ended 31st December, 1997

	1997 US\$000's	1996 US\$000's
Profit attributable to ordinary shareholder	16,904	45,913
Currency translation differences	(6,750)	7,121
Total recognised gains	10,154	53,034

The notes on pages 9 to 26 form part of these accounts



CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Balance Sheet as at 31st December, 1997

	Note	1997 US\$000's	1996 US\$000's
Fixed asset investments			
Shares in subsidiary undertakings	2	847,383	654,380
Current assets			
Debtors	5	7	12
Cash at bank	6	-	24
		-----	-----
		7	36
Creditors: amounts falling due within one year	8	(1,093)	(1,118)
		-----	-----
Net current liabilities		(1,086)	(1,082)
		-----	-----
		846,297	653,298
		-----	-----
Capital and reserves			
Called up share capital	11	266,372	73,369
Share premium	12	362,600	362,600
Capital reserve	12	213,235	213,235
Profit and loss account	12	4,090	4,094
		-----	-----
	13	846,297	653,298
		-----	-----



Robert Stevens  
Director

The accounts were approved by the Board of Directors on 26<sup>th</sup> October, 1998

The notes on pages 9 to 26 form part of these accounts

1. ACCOUNTING POLICIES

The accounts have been prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the valuation of trading securities, forwards, futures, swaps, warrants and options at market value as disclosed in notes 1(h) and 1(i).

The following accounting policies have been consistently applied:

- (a) The Company has elected not to prepare a Cash Flow Statement in accordance with the exemption granted under Financial Reporting Statement 1 (Revised) to wholly owned subsidiaries whose accounts are included in consolidated financial statements which are publicly available.
- (b) The Company's accounts have been prepared under the historical cost convention in accordance with the relevant Statements of Standard Accounting Practice and Section 258 of, and Schedule 4 to, the Companies Act 1985. The profit and loss account of the Company has not been disclosed in accordance with Section 230 of the Companies Act 1985.
- (c) The consolidated accounts have been prepared under the historical cost convention in accordance with the relevant Statements of Standard Accounting Practice and Section 259 of, and Schedule 4 to, the Companies Act 1985, except as disclosed in notes 1(d) and 1(h) below. The accounts deal with the state of affairs and results of the Company and all its subsidiaries for the year ended 31st December, 1997.
- (d) The directors are of the opinion that turnover and cost of sales do not have meaningful equivalents for the business of the Company and therefore these amounts are not included in the profit and loss account.
- (e) The Company has not disclosed segmental information because, in the opinion of the directors, the Company operates in one business sector, that of investment banking, and as a single global business unit.
- (f) Assets and liabilities in foreign currencies are translated into United States Dollars at the rates of exchange ruling at the balance sheet date. Transactions during the year were translated at month end rates. Differences in exchange are included in the profit and loss account other than in respect of the translation of net assets of subsidiary companies which account in currencies other than United States Dollars, which are taken directly to reserves.
- (g) Transactions in trading securities, forwards, futures, swaps, warrants and options are recorded on a trade date basis.

## 1. ACCOUNTING POLICIES (continued)

- (h) Trading securities held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the result for the year of a group that holds readily marketable investments as current assets, since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any year is properly made by reference to market values. It is not practicable to quantify the effect on the accounts of these departures since information on original cost, being of no continuing relevance to the business, is not readily available.
- (i) In the ordinary course of its business the Group enters into forwards, futures, swaps, warrants and option contracts. Positions open at the year end are marked to market and the resulting profits and losses are included in the profit and loss account.
- (j) Repurchase and resale agreements are treated as financing transactions and are carried in the balance sheet at the amounts at which the securities were initially acquired or sold as specified by the respective agreements, plus interest accrued to the balance sheet date.
- (k) Capital contributions are appropriations to reserves and are received from the parent and fellow subsidiary undertakings. Accordingly, such contributions are not taken through the profit and loss account.
- (l) Depreciation has been provided on a straight line basis to write off fixed assets over their estimated useful lives as follows:
- |                        |   |              |
|------------------------|---|--------------|
| Leasehold improvements | - | 10 years     |
| All others             | - | 3 - 7 years. |
- (m) Operating lease rentals are charged to the profit and loss account over the period when the asset is in use.
- (n) Deferred taxation is provided under the liability method to the extent that taxation timing differences are expected to reverse in the future.
- (o) Advisory fee income is recognised upon the successful completion of a transaction. Fee income arising from primary capital market business is recognised on allotment date.
-

1. ACCOUNTING POLICIES (continued)

- (p) Interest income and expense is accounted for on a yield basis.
- (q) Pension costs are recognised in the profit and loss account over the period in which benefit is derived from employees' services.
- (r) On the acquisition of a business, fair values, reflecting conditions at the date of acquisition, are attributed to the net tangible assets acquired. Where the cost of acquisition exceeds the values attributable to the Group's share of such assets, the difference is treated as purchased goodwill and is written off direct to reserves in the year of acquisition. Reorganisation and integration costs resulting from the acquisition are charged to the profit and loss account.

The profit or loss on disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

- (s) As 100% of the Company's voting rights are controlled within the group headed by Credit Suisse Group, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group which qualify as related parties). The consolidated financial statements of Credit Suisse Group, within which this company is included, can be obtained from Credit Suisse Group at the address given in note 2.

2. PARENT, ULTIMATE HOLDING COMPANY AND SUBSIDIARIES

The Company is a wholly owned subsidiary of Credit Suisse First Boston (International) AG, which is incorporated in Switzerland. The ultimate holding company is Credit Suisse Group, which is also incorporated in Switzerland.

The Company had the following wholly owned subsidiaries at the year end, all of which were registered in England and Wales except for Credit Suisse First Boston Securities ZAO, Moscow, which is registered in the Russian Federation; Credit Suisse First Boston Sociedad de Valores y Bolsa S.A., which is registered in Spain; Credit Suisse First Boston (Italia) SIM SpA, which is registered in Italy; and Credit Suisse First Boston Finance Co. Limited, which is registered in Bermuda:

Notes to the Accounts for the year ended 31st December, 1997

## 2. PARENT, ULTIMATE HOLDING COMPANY AND SUBSIDIARIES (continued)

Credit Suisse First Boston (Europe) Limited and its subsidiaries,  
     Credit Suisse First Boston Trustees Limited and its subsidiary,  
         Credit Suisse First Boston Finance Co. Limited, Bermuda  
     Credit Suisse First Boston Nominees Limited  
     Credit Suisse First Boston Telematico  
     Credit Suisse First Boston de Zoete & Bevan Limited  
 White Weld Investment Limited  
 Credit Suisse First Boston UK Nominees Limited  
 Credit Suisse First Boston Securities Limited  
 Credit Suisse First Boston (Fixed Assets) Limited  
 Credit Suisse First Boston Gilts Limited and its subsidiary,  
     Credit Suisse First Boston (Gilts) Nominees Limited  
 Credit Suisse First Boston Equities Limited and its subsidiary,  
     Credit Suisse First Boston Equities Nominees Limited  
 Credit Suisse First Boston Canary Wharf Health Club Limited  
 Credit Suisse First Boston Securities ZAO, Moscow  
 Credit Suisse First Boston (Italia) SIM SpA, Italy  
 Credit Suisse First Boston Sociedad de Valores y Bolsa S.A., Spain

Copies of group accounts of the ultimate holding company are available from Credit Suisse Group, Rmd 12, P O Box 669, 8021 Zurich.

Movements in investments in subsidiaries during the year, were as follows:

	1997 US\$000's
At 1st January, 1997	654,380
Capital contributions	193,003
	-----
At 31st December, 1997	847,383
	-----

Notes to the Accounts for the year ended 31st December, 1997

## 3. TANGIBLE FIXED ASSETS

	Leasehold improvements US\$000's	Assets under construction US\$000's	Freehold premises US\$000's	Computer equipment US\$000's	Other equipment US\$000's	Total US\$000's
Cost						
1st January, 1997	89,698	-	6,348	103,974	70,399	270,419
Exchange differences	-	-	(851)	(152)	(18)	(1,021)
Additions	18,083	68,545	-	39,681	11,418	137,727
Disposals	-	-	-	(133)	(61)	(194)
31st December, 1997	107,781	68,545	5,497	143,370	81,738	406,931
Depreciation						
1st January, 1997	59,637	-	1,035	73,469	53,029	187,170
Exchange differences	-	-	(146)	(78)	(2)	(226)
Charge for the year	5,253	-	182	18,642	7,451	31,528
Disposals	-	-	-	(75)	(11)	(86)
31st December, 1997	64,890	-	1,071	91,958	60,467	218,386
Net Book Value at						
31st December, 1997	42,891	68,545	4,426	51,412	21,271	188,545
31st December, 1996	30,061	-	5,313	30,505	17,370	83,249

Notes to the Accounts for the year ended 31st December, 1997

## 4. TRADING SECURITIES

Group	1997 US\$000's	1996 US\$000's
Listed in Great Britain	2,055,593	528,346
Listed outside Great Britain	15,900,263	18,911,163
Other securities	2,090,291	469,638
	-----	-----
	20,046,147	19,909,147
	-----	-----

Trading securities include US\$ Nil (1996 - US\$6,884,000) issued by parent and fellow subsidiary undertakings.

## 5. DEBTORS

Group	1997 US\$000's	1996 US\$000's
Deposits for securities transactions	525,146	237,683
Counterparty debtors	3,427,248	2,666,081
Resale agreements	48,780,851	52,844,564
Amounts owed by parent and fellow subsidiary undertakings	12,322,188	5,939,505
Corporation tax recoverable	37,412	-
Deferred taxation (see Note 16)	-	15,894
Prepayments and accrued income	940,097	633,095
Positive marked to market of off-balance sheet instruments	2,636,995	2,662,527
Other debtors	75,102	-
	-----	-----
	68,745,039	64,999,349
	-----	-----

Positive mark to market of off-balance sheet instruments includes US\$ 319,290,000 (1996 - US\$ 44,980,000) in respect of instruments issued by parent and fellow subsidiary undertakings.

## Company

Prepayments and accrued income	7	12
	-----	-----

CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Notes to the Accounts for the year ended 31st December, 1997

6. CASH AT BANK

Group

Cash at bank includes US\$ Nil (1996 - US\$40,499,000) owed by parent and fellow subsidiary undertakings.

7. TRADING SECURITIES SOLD, NOT YET PURCHASED

Trading securities sold, not yet purchased include US\$ Nil (1996 - US\$32,000) issued by parent and fellow subsidiary undertakings.

8. OTHER CREDITORS

	1997 US\$000's	1996 US\$000's
Group		
Loans, bank loans and overdrafts	1,444,855	2,472,442
Subordinated loan capital (see Note 9)	10,227	36,850
Counterparty creditors	4,314,646	5,121,290
Repurchase agreements	38,744,231	41,594,237
Amounts owed to parent and fellow subsidiary undertakings	21,067,700	12,229,352
Deferred taxation (see Note 16)	7,268	-
Other taxes and social security costs	19,551	29,829
Other creditors and accruals	1,460,555	1,020,026
Negative marked to market of off-balance sheet instruments	2,297,000	2,595,003
	-----	-----
	69,366,033	65,099,029
	-----	-----

Negative marked to market of off-balance sheet instruments includes US\$ 442,859,000 (1996 - US\$188,285,000) issued by parent and fellow subsidiary undertakings.



CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Notes to the Accounts for the year ended 31st December, 1997

8. OTHER CREDITORS (continued)

Company	1997 US\$000's	1996 US\$000's
Loans, bank loans and overdrafts	-	32
Other creditors and accruals	-	1,086
Amounts owed to parent and fellow subsidiary undertakings	1,093	-
	-----	-----
	1,093	1,118
	-----	-----

9. SUBORDINATED LOAN CAPITAL

	1997 US\$000's	1996 US\$000's
Due within one year and issued to:		
Credit Suisse First Boston Finance BV		
- issued by Credit Suisse First Boston Equities Limited	8,230	34,008
Credit Suisse Financial Products	1,997	2,842
	-----	-----
	10,227	36,850
	-----	-----

Due after more than one year and issued to:

Credit Suisse Financial Products	-	1,997
Credit Suisse First Boston Finance BV		
- issued by Credit Suisse First Boston (Europe) Limited	1,123,500	1,023,500
- issued by Credit Suisse First Boston (Fixed Assets) Limited	47,500	47,500
- issued by Credit Suisse First Boston (Italia) SIM SpA	10,749	9,168
- issued by Credit Suisse First Boston Canary Wharf Health Club Limited	7,648	7,902
	-----	-----
	1,189,397	1,090,067
	-----	-----

The subordinated loan capital issued to Credit Suisse First Boston Finance BV by Credit Suisse First Boston (Fixed Assets) Limited, Credit Suisse First Boston Canary Wharf Health Club Limited and Credit Suisse First Boston (Italia) SIM SpA have all been drawn under a revolving credit facility. The loans are repayable on such dates as may be agreed between the parties. Interest is payable on the loans up to LIBOR plus eighty five basis points per annum. It is the current intention that the loans will not be repaid within one year.

9. SUBORDINATED LOAN CAPITAL (continued)

The subordinated loan issued to Credit Suisse Financial Products by Credit Suisse First Boston (Fixed Assets) Limited has been drawn under a long term agreement. Payments are due on a quarterly basis. The final repayment is due on the 31st October, 1999 or on such other dates as may be agreed between the parties. Interest is payable on the loan up to LIBOR plus eighty five basis points per annum.

Both of the loans, together with any interest outstanding thereon, are subordinated in right of repayment to all other indebtedness and liabilities of the Company.

The subordinated loan capital issued to Credit Suisse First Boston Finance BV by Credit Suisse First Boston (Europe) Limited has been drawn under an agreement renewed on 11th February, 1997.

Under the terms of the facility the Company may repay, in whole or in part, any amounts outstanding upon giving five business days' notice to the lender and SFA provided that, after any repayment, the Company's financial resources exceed 120% of its financial resources requirement as defined by the SFA.

Interest is payable up to LIBOR plus eighty five basis points per annum or at such other rates as may be agreed between the parties. Under the facility the loan and any interest outstanding thereon, is subordinated in right of repayment to all other indebtedness and liabilities of the company.

The subordinated loan capital issued to Credit Suisse First Boston Finance BV by Credit Suisse First Boston Equities Limited has been drawn under a loan facility agreement dated 4th April 1996, as amended by a Deed of Variation dated 24th December 1997. The loan can be drawn on such dates as may be agreed between the parties.

Under the terms of the facility the Company may repay, in whole or in part, any amounts outstanding upon giving five working days' notice to the lender and SFA provided that, after any repayment, the Company's financial resources exceed 120% of its financial resources requirement as defined by the SFA.

Interest is payable up to LIBOR plus eighty five basis points per annum. Under the facility the loan, and any interest outstanding thereon, is subordinated in right of repayment to all other indebtedness and liabilities of the Company.

Notes to the Accounts for the year ended 31st December, 1997

## 10. OTHER PROVISIONS

	Restructuring Programme US\$000's	Lease Commitments US\$000's	Total US\$000's
At 1st January, 1997	17,218	31,292	48,510
Utilised during the year	-	(8,228)	(8,228)
Released during the year	(10,871)	-	(10,871)
Currency translation difference	-	(740)	(740)
	-----	-----	-----
At 31st December, 1997	6,347	22,324	28,671
	-----	-----	-----

Provisions at 31st December, 1997 represent the Group's expected net expense under non-cancellable operating lease commitments and the Credit Suisse Group restructuring programme.

## 11. CALLED UP SHARE CAPITAL

	1997 US\$000's	1996 US\$000's
Authorised		
100,000,000 ordinary shares of US\$1 each	100,000	100,000
135,000,000 preference shares of US\$1 each	135,000	-
35,000,000 preference shares of £ 1 each	58,003	-
	-----	-----
	293,003	100,000
	-----	-----
Allotted, called up, and fully paid		
73,369,578 ordinary shares of US\$1 each	73,369	73,369
135,000,000 preference shares of US\$1 each	135,000	-
35,000,000 preference shares of £ 1 each	58,003	-
	-----	-----
	266,372	73,369
	-----	-----

During the year, preference share capital of US\$ 193,002,700 (1996 – US\$ Nil) was issued to fund capital contributions to subsidiary undertakings.

CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS

Notes to the Accounts for the year ended 31st December, 1997

12. RESERVES

Group	Share Premium US\$000's	Capital US\$000's	Goodwill US\$000's	Profit and loss account US\$000's
At 1st January, 1997	362,600	213,235	(95,962)	53,692
Profit for the year	-	-	-	16,904
Exchange differences	-	-	-	(6,750)
At 31st December, 1997	362,600	213,235	(95,962)	63,846

Company	Share premium US\$000's	Capital US\$000's	Profit and loss account US\$000's
At 1st January, 1997	362,600	213,235	4,094
Profit for the year	-	-	(4)
At 31st December, 1997	362,600	213,235	4,090

13. MOVEMENT IN SHAREHOLDERS' FUNDS

Group	1997 US\$000's	1996 US\$000's
Opening shareholders' funds	606,934	497,395
Issue of share capital	193,003	-
Net capital contributions	-	56,505
Profit for the year	16,904	45,913
Exchange differences	(6,750)	7,121
Closing shareholders' funds (equity)	810,091	606,934

Company	1997 US\$000's	1996 US\$000's
Opening shareholders' funds	653,298	595,402
Issue of share capital	193,003	-
Net capital contributions	-	56,505
Profit/(Loss) for the year	(4)	1,391
Closing shareholders' funds (equity)	846,297	653,298

Notes to the Accounts for the year ended 31st December, 1997

## 14. OPERATING INCOME

Operating income is stated after charging /(crediting) the following:

a. Interest payable	1997 US\$000's	1996 US\$000's
On loans, bank loans and overdrafts	572,288	3,071,147
On amounts owed to parent and fellow subsidiary undertakings	293,611	105,268
On subordinated loans from parent and fellow subsidiary undertakings repayable within five years	81,039	67,710
	-----	-----
	946,938	3,244,125
	-----	-----
b. Interest receivable and other similar income	(1,737,671)	(3,508,701)
	-----	-----

Interest receivable and other similar income includes amounts owed by parent and fellow subsidiary undertakings of US\$529,478,000 (1996 - US\$28,064,000).

## 15. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	1997 US\$000's	1996 US\$000's
Directors' emoluments	388	1,193
Auditors' remuneration for audit services:		
Subsidiaries	749	702
Auditors' remuneration for non-audit services	250	339
Operating lease rentals	57,289	56,444
Depreciation	31,528	29,614
Provisions charge/(release)	(10,871)	7,431
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The Company's auditors' remuneration for audit services in both years has been borne by a subsidiary undertaking.

Notes to the Accounts for the year ended 31st December, 1997

## 16. TAXATION

The taxation charge/(credit) comprises:

	1997 US\$000's	1996 US\$000's
U.K. and foreign taxation	13,072	62,782
Group relief for nil consideration	(2,089)	481
Deferred taxation	18,515	2,558
	-----	-----
	29,498	65,821
Prior years - current taxation	(5,747)	2,209
- deferred taxation	4,096	(901)
	-----	-----
	27,847	67,129
	-----	-----
Deferred taxation asset/(liability)		
At 1st January, 1997	15,894	17,551
Movement for the period	(22,611)	(1,657)
Currency translation differences	(551)	-
	-----	-----
At 31st December, 1997	(7,268)	15,894
	-----	-----

The deferred taxation asset/(liability) arises as set out below:

	1997 US\$000's	1996 US\$000's
Accelerated capital allowances on fixed assets	(13,144)	914
Other timing differences	5,876	14,980
	-----	-----
	(7,268)	15,894
	-----	-----

Notes to the Accounts for the year ended 31st December, 1997

## 17. EMPLOYEES

The average number of persons employed by the Group during the period was 1,729 (1996 -1026) as follows:

	1997	1996
Front office	799	570
Back office	930	456
	-----	-----
	1,729	1,026
	-----	-----

Employees' emoluments are analysed as follows:

	1997 US\$000's	1996 US\$000's
Wages and salaries paid	511,397	321,133
Social security costs	25,870	12,145
Pension contributions	11,313	9,496
	-----	-----

## 18. DIRECTORS' EMOLUMENTS

Directors' emoluments for services to the Group, excluding pension contributions, are analysed as follows:

	1997 US\$000's	1996 US\$000's
Directors' emoluments:	350	1,111
Amounts receivable under long term incentive schemes	38	82
	-----	-----
	388	1,193
	-----	-----

Notes to the Accounts for the year ended 31st December, 1997

## 18. DIRECTORS' EMOLUMENTS (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was US\$ 227,281. During the year, the highest paid director received an entitlement to shares under a long term incentive scheme.

Retirement benefits are accruing to the following number of directors under:

	Number of Directors	
	1997	1996
Defined benefit schemes	2	2
	---	---
Directors in respect of whose services shares were received or receivable under long term incentive schemes	2	2
	---	---

## 19. ASSETS PLEDGED AS COLLATERAL

	1997	1996
	US\$000's	US\$000's
Securities deposited with clearing organisations and banks	134,207	9,525
Securities pledged as collateral for loans and notes payable	4,767,381	1,315,630
Securities pledged as collateral for repurchase agreements	4,243,451	3,211,109
Securities pledged as collateral for securities borrowed	2,524,959	1,573,215
	-----	-----
	11,669,998	6,109,479
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In addition to the above, in the ordinary course of business the Group enters into resale and repurchase agreements on a matched basis.



Notes to the Accounts for the year ended 31st December, 1997

## 20. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) Credit Suisse First Boston Equities Limited has granted a first fixed charge over certain receivables in respect of the company's membership of CREST and a floating charge over all eligible stocks and other sums due to the company to Midland Bank Plc., against failure to meet their trading obligations.
- (b) Credit Suisse First Boston Gilts Limited has granted a first fixed charge over certain receivables and a floating charge over its account at the Central Gilts Office and over certain securities to Midland Bank plc. The Company also borrows money and securities on a secured basis from The London Stock Exchange money-brokers.
- (c) Credit Suisse First Boston Equities Limited and Credit Suisse First Boston (Europe) Limited have both granted fixed charges to Morgan Guaranty Trust Company of New York over all American Depository Receipts held by that company on their behalf, and over all rights, claims and interests in the relevant underlying securities.
- (d) In the normal course of business, the Group enters into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include financial guarantees, interest rate swaps, interest rate caps and floors written, forward and futures contracts, options contracts written, currency swaps and currency options.
- (e) Annual commitments under operating leases at 31st December, 1997 were:

	1997		1996	
	Land and buildings US\$000's	Other US\$000's	Land and buildings US\$000's	Other US\$000's
- expiring within one year	-	5,434	-	3,457
- expiring between two and five years inclusive	379	-	-	122
- expiring after five years	22,419	-	22,614	-
	-----	-----	-----	-----
	22,798	5,434	22,614	3,579
	-----	-----	-----	-----

- (f) Various legal proceedings are pending against the Group. The directors of the Group believe that the aggregate liability, if any, resulting from these proceedings will not materially prejudice the financial position of the Company.

Notes to the Accounts for the year ended 31st December, 1997

## 20. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

- (g) The budgeted direct expenses of Credit Suisse First Boston (Europe) Limited comprise a charge of US\$8,687,000 for the cost of ensuring that the Company's computer and other systems are able to function effectively in the Year 2000 and thereafter.
- (h) During the year Credit Suisse First Boston (Europe) Limited entered into an agreement with Canary Wharf Limited for the grant of a 999 year lease over the land and completed building relating to the expansion of the Cabot Square premises. A payment of £1,000,000 is due on the grant of the lease at completion.

## 21. CAPITAL COMMITMENTS

Capital commitments outstanding are:	1997 US\$000's	1996 US\$000's
- authorised but not contracted for	133,708	6,031
- authorised and contracted	146,311	-
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## 22. PENSION SCHEME

The Group operates a number of pension schemes with assets held in separate trustee administered funds. The major schemes, covering the majority of employees, are of the defined benefit type. On 30th April, 1997 these schemes were merged under one scheme, Credit Suisse Group (UK) Pension Fund ("the Scheme"). A small number of employees are members of a defined contribution scheme.

The Scheme is administered by Trustees who are directors of Credit Suisse First Boston Trustees Limited. They are advised by William M. Mercer Limited who also act as actuaries.

The pension cost is determined by the actuaries on the basis of triennial valuations using the projected unit valuation method. The most recent valuation was as at 30th April, 1997, and showed that the market value of the assets was £98.1 million which was sufficient to secure 113% of the liabilities of the Scheme, after allowing for expected future increases in salaries and pensions. The main actuarial assumptions used were an investment rate of return of 8% per annum, an increase in average salaries of 6.5% per annum, and an increase in present and future pensions at the rate of 4% per annum (5% for certain employees). The actuaries concluded that the Scheme continued to be in a sound financial position.

Notes to the Accounts for the year ended 31st December, 1997

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22. PENSION SCHEME (Continued)

In accordance with SSAP 24 the expected cost of providing future pensions is recognised on a systematic basis over the period during which the Group expects to derive a benefit from the services of its employees.

The Group contributes to the Scheme, at a rate of 13.7% of basic salaries per annum. The net pension cost charged to the profit and loss account for the period amounted to US\$11,313,000.

23. POST BALANCE SHEET EVENTS

On 12th November 1997, Credit Suisse First Boston (Europe) Limited and Credit Suisse First Boston Equities Limited entered into an agreement along with other Credit Suisse Group entities to purchase the UK and continental European equities, equity capital markets, mergers and acquisitions and corporate finance advisory businesses of BZW from Barclays Bank plc.

On 31st December 1997 Credit Suisse First Boston (Europe) Limited made a partial prepayment of the sum of £25,000,000 in respect of the acquisition of the UK and continental European mergers and acquisitions, corporate finance advisory and equity capital markets businesses. In addition, management was assumed of the UK and continental European equity sales, trading and research business under a management services agreement with Barclays Bank plc from the same date. This arrangement operated until formal completion of the sales of those businesses to the Credit Suisse Group on 3<sup>rd</sup> May 1998.

As a result the bulk of the acquisition was not completed in 1997 and therefore has not been included in these financial statements as of 31st December 1997. At the time of approving these financial statements, the value of the assets transferred has not been finalised.

Since the year end the Group has encountered adverse market conditions as a result of volatility in emerging market countries, and significant losses have been incurred.