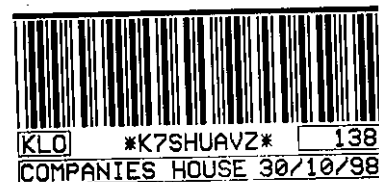


Credit Suisse (UK) Limited
Report and financial statements

for the year ended 26 December 1997
Registered number 2009520



Report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 26 December 1997.

Principal activities

The principal activities of Credit Suisse (UK) Limited ('CSUK' or the Company) are investment management and to provide securities and financial advice and securities dealing facilities on an agency basis. The Company is a member firm of The Securities and Futures Authority ('SFA') and of The London Stock Exchange ('LSE').

Business review

During the year the successful integration of the Company with Credit Suisse Private Banking continued as evidenced by the increased referral of business between the two units.

Management and staff have been strengthened with the addition of new yet highly experienced individuals which together with the implementation of a very focused and driven marketing plan resulted in the highest year on record in the gathering of new assets.

We therefore look forward to a vastly improved operating result in 1998.

Change of sole member

The sole member of the Company throughout the year was Credit Suisse, which in turn is a wholly owned subsidiary of Credit Suisse Group. As part of the restructuring of the Credit Suisse Group, the shares in the Company have been transferred from Credit Suisse First Boston, formerly known as Credit Suisse, to Credit Suisse formerly known as Swiss Volksbank.

Results and dividend

The results of the group for the year are set out in detail on page 5. The retained loss for the year of £8,483,000 (1996: profit £217,000) has been transferred from reserves. The results were materially affected by the establishment of a property provision (refer note 5).

A dividend of £425,000 has been provided during 1997 for the 5% cumulative redeemable preference shares.

Capital contribution

During the year the Company received a capital contribution of £8,500,000 (1996: nil) from Credit Suisse.

Directors and directors' interests

The directors who held office during the year were as follows:

The Rt Hon Lord Moore	(Chairman)
CR Bennington	Appointed 10 December 1997
C Luthy (Swiss)	Appointed 7 March 1997
GH Russell (American)	
JH Schwarzenbach (Swiss)	Appointed 14 February 1997
JR Elsby	Resigned 10 December 1997
PR Hofer (Swiss)	Resigned 14 February 1997

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The Company has taken advantage of the available exemption not to disclose the interest of the directors in the non-UK parent.

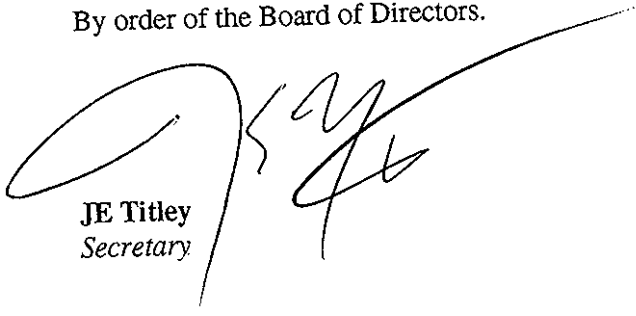
Taxation status

In the opinion of the directors, the Company is not a close company for taxation purposes.

Auditors

Pursuant to Section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the Company not being required to appoint its auditors annually. KPMG Audit Plc would then continue as the Company's auditors.

By order of the Board of Directors.



JE Titley
Secretary

23 March 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 financial statements 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.



KPMG Audit Plc

1-2 Dorset Rise
London EC4Y 8AE
United Kingdom

Report of the auditors to the members of Credit Suisse (UK) Limited

We have audited the financial statements on pages 5 to 7 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 and the group as at 26 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 March 1998

Consolidated profit and loss account
for the year ended 26 December 1997

	<i>Note</i>	year ended 26 December 1997 £000	year ended 27 December 1996 £000
Turnover			
Continuing operations	2	8,184	10,013
Other operating income		<u>-</u> 8,184	<u>181</u> 10,194
Operating costs			
Staff costs	3	(3,468)	(4,033)
Depreciation		(210)	(420)
Other operating charges		(5,172)	(6,388)
Provision for property lease	5	<u>(8,550)</u> (17,400)	<u>-</u> (10,841)
Operating loss			
Continuing operations		(9,216)	(647)
Interest			
Interest receivable and similar income	6	1,986	1,909
Interest payable and similar charges	7	<u>(87)</u> 1,899	<u>(120)</u> 1,789
(Loss)/Profit on ordinary activities before taxation	8	(7,317)	1,142
Tax on (Loss)/Profit on ordinary activities	9	<u>(741)</u>	<u>(500)</u>
(Loss)/Profit on ordinary activities after taxation		(8,058)	642
Non-equity preference dividend	10	<u>(425)</u>	<u>(425)</u>
Retained (Loss)/profit for the year		<u>(8,483)</u>	<u>217</u>

The notes on pages 8 to 19 form an integral part of these financial statements.

There are no recognised gains and losses for the current financial year other than as stated in the profit and loss account.

Consolidated balance sheet

As at 26 December 1997

	Note	As at 26 December 1997 £000	As at 27 December 1996 £000
Fixed assets			
Tangible assets	11	289	416
Investments	12	<u>100</u>	<u>100</u>
		<u>389</u>	<u>516</u>
Current assets			
Market and client debtors	13	11,457	16,355
Other debtors	14	1,992	3,611
Cash at bank and in hand		<u>26,312</u>	<u>20,949</u>
		<u>39,761</u>	<u>40,915</u>
Creditors: (amounts falling due within one year)			
Bank loans and overdrafts		165	844
Market and client creditors	15	8,001	12,915
Other creditors	16	<u>5,277</u>	<u>6,643</u>
		<u>13,443</u>	<u>20,402</u>
Net current assets		<u>26,318</u>	<u>20,513</u>
Total assets less current liabilities		26,707	21,029
Provisions for liabilities and charges	17	<u>8,653</u>	<u>2,992</u>
Net assets		<u>18,054</u>	<u>18,037</u>
Shareholders funds			
Called up share capital	18	16,500	16,500
Capital contribution reserve	19	8,500	-
Profit and loss account	19	<u>(6,946)</u>	<u>1,537</u>
	20	<u>18,054</u>	<u>18,037</u>
Attributable to equity shareholders		9,554	9,537
Attributable to non-equity shareholders		<u>8,500</u>	<u>8,500</u>
		<u>18,054</u>	<u>18,037</u>

These financial statements were approved by the Board of Directors on 23 March 1998 and were signed on its behalf by:


G.H. Russell
Director

Company balance sheet

As at 26 December 1997

	Note	As at 26 December 1997	As at 27 December 1996
		£000	£000
Fixed assets			
Tangible assets	11	289	416
Investments	12	<u>100</u>	<u>100</u>
		<u>389</u>	<u>516</u>
Current assets			
Market and client debtors	13	11,457	16,355
Other debtors	14	1,992	3,611
Cash at bank and in hand		<u>26,312</u>	<u>20,949</u>
		<u>39,761</u>	<u>40,915</u>
Creditors: (amounts falling due within one year)			
Bank loans and overdrafts		165	844
Market and client creditors	15	8,001	12,915
Other creditors	16	<u>5,691</u>	<u>7,057</u>
		<u>13,857</u>	<u>20,816</u>
Net current assets		<u>25,904</u>	<u>20,099</u>
Total assets less current liabilities		26,293	20,615
Provisions for liabilities and charges	17	8,653	2,992
Net assets		<u>17,640</u>	<u>17,623</u>
Shareholders funds			
Called up share capital	18	16,500	16,500
Capital contribution reserve	19	8,500	-
Profit and loss account	19	<u>(7,360)</u>	<u>1,123</u>
	20	<u>17,640</u>	<u>17,623</u>
Attributable to equity shareholders		9,140	9,123
Attributable to non-equity shareholders		<u>8,500</u>	<u>8,500</u>
		<u>17,640</u>	<u>17,623</u>

These financial statements were approved by the Board of Directors on 23 March 1998 and were signed on its behalf by:


G.H. Russell
Director

Notes to the financial statements

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The group's financial statements consolidate the audited accounts of the Company and its subsidiaries. Profits arising from trading and other transactions between group companies are eliminated on consolidation.

Turnover

Turnover comprises:

- gross commission from acting as agent in investment business, less commissions paid; and
- fee income from investment management and advisory services

Turnover is stated after the deduction of value added tax.

Balances with clients and counterparties

In accordance with market practice certain balances with clients, London Stock Exchange member firms and settlement offices are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with through the profit and loss account.

Tangible fixed assets and depreciation

For all tangible fixed assets, depreciation is calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives. This is considered to be five years in respect of leasehold improvements and three years for all other tangible fixed assets. Capital receipts are amortised over their estimated useful economic life which is between three and five years.

Capital contributions

Capital contributions are appropriations to reserves and are received from the parent undertaking. Accordingly, such contributions are directly credited to the 'Capital contribution reserve' and not taken to the profit and loss account.

Other securities

Securities held as fixed asset investments by the Company comprise its interest in the share capital of its subsidiaries and other unquoted investments and are shown in the balance sheet at cost less provision for permanent diminution in value. It is the directors' policy to make provision to reflect permanent diminution in value as soon as that is identified.

Pensions

The Company participates in a Defined Contribution Scheme, the Credit Suisse Asset Management Limited Pension Scheme. The contributions to the Scheme, including the cost of the lump sum death benefit insurance cover, are charged to the profit and loss account in the period to which they relate.

Clients' deposits

The Company holds money on behalf of clients in accordance with the Client Money Regulations of the SFA. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet as the Company is not beneficially entitled thereto. The amount held on behalf of clients at the balance sheet date is stated in Note 24.

Operating Leases

Rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Deferred taxation

Deferred taxation has been computed under the liability method and is provided on timing differences to the extent that it is probable that a liability will crystallise.

Goodwill

The Company's policy is to write off goodwill immediately on the acquisition of subsidiary undertakings.

2 Turnover

Turnover, all of which arose in the UK, comprises:

	1997 £000	1996 £000
Agency dealing commissions	5,400	4,748
Investment management and other fee income	<u>2,784</u>	<u>5,265</u>
	<u>8,184</u>	<u>10,013</u>

Included within turnover is £1,674,000 (1996: £1,261,000) representing income from group undertakings.

3 Employees

	1997	1996
Average number of persons employed by the Company and the group (including directors) during the year, was:	41	56

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	2,977	3,725
Social security costs	245	30
Other pension costs	<u>246</u>	<u>278</u>
	<u>3,468</u>	<u>4,033</u>

All staff while employed by Credit Suisse First Boston, London Branch are fully recharged and undertake work solely for the Company.

4 Remuneration of directors

Emoluments of the directors were as follows:

	1997 £000	1996 £000
Management remuneration	<u>136</u>	<u>159</u>

The management remuneration and other emolument of directors excluding pension contributions were as follows:

	1997 £'000	1996 £'000
Chairman	Nil	Nil
Highest paid director	109	121

5 Provision for property lease

During the year a provision of £8.55 million has been established in the books of the Company representing the present value of estimated future cash outflows in respect of a property lease. For further details refer Note 17.

6 Interest receivable and similar income

	1997 £000	1996 £000
Bank and other interest receivable	1,237	1,267
Client interest	<u>749</u>	<u>642</u>
	<u>1,986</u>	<u>1,909</u>

7 Interest payable and similar charges

	1997 £000	1996 £000
On bank loans and overdrafts	<u>87</u>	<u>120</u>

8 (Loss)/Profit on ordinary activities before taxation

	1997 £000	1996 £000
(Loss)/Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration (group and Company)	36	36
Remuneration of the auditors for non-audit work	100	21
Operating lease rentals	1,522	695

9 Tax on (Loss)/Profit on ordinary activities

	1997	1996
	£000	£000
Tax comprises:		
UK corporation tax at 31.5% (1996 - 33 %)	101	500
Deferred tax	<u>640</u>	<u>-</u>
	<u>741</u>	<u>500</u>

10 Dividends and other appropriations

A dividend of £425,000 (1996: £425,000) on the 5% cumulative redeemable preference shares has been provided during the year.

11 Tangible fixed assets

	Motor vehicles	Leasehold improvements	Furniture and Equipment	Computer Equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 28 December 1996	6	1,763	478	556	2,803
Additions	-	-	-	83	83
Disposals	(6)	-	-	-	(6)
Capital receipt	-	(1,763)	(147)	(130)	(2,040)
At 26 December 1997	<u>-</u>	<u>-</u>	<u>331</u>	<u>509</u>	<u>840</u>
Depreciation					
At 28 December 1996	6	353	159	274	792
Charged in year	-	353	153	149	655
On disposals	(6)	-	-	-	(6)
Capital receipt amortisation	-	(706)	(98)	(86)	(890)
At 26 December 1997	<u>-</u>	<u>-</u>	<u>214</u>	<u>337</u>	<u>551</u>
Net book value					
At 26 December 1997	<u>-</u>	<u>-</u>	<u>117</u>	<u>172</u>	<u>289</u>
At 27 December 1996	<u>-</u>	<u>-</u>	<u>221</u>	<u>195</u>	<u>416</u>

12 Fixed asset investments

<i>Group</i>	1997 £000	1996 £000
Cost	<u>100</u>	<u>100</u>

The investment relates to a 1.6% holding in Crest Company Limited, an unlisted company.

Company

	Shares in group undertakings £000	Other investments £000	Total £000
Cost			
At 28 December 1996	-	100	100
Disposals	-	-	-
At 26 December 1997	<u> </u>	<u>100</u>	<u>100</u>

Subsidiaries

The Company has the following subsidiaries:

- Buckmore Nominees Limited (non trading); and
- Credit Suisse Buckmaster Securities (non trading).

These companies are incorporated and operate in the United Kingdom and are registered in England and Wales. The subsidiaries are wholly owned.

13 Market and client debtors

	1997 £000	Group 1996 £000	1997 £000	Company 1996 £000
Market and client debtors include:				
Amounts owed by group undertakings	<u>598</u>	<u>3,381</u>	<u>598</u>	<u>3,381</u>

Included within market and client debtors is a loan of £7,351 to an officer of the Company.

14 Other debtors

	1997	Group	1997	Company
	£000	1996	£000	1996
		£000		£000
Amounts owed by group undertakings	104	500	104	500
Corporation tax	136	-	136	-
ACT recoverable	-	686	-	686
Other debtors	543	1,501	543	1,501
Prepayments and accrued income	<u>1,209</u>	<u>924</u>	<u>1,209</u>	<u>924</u>
	<u>1,992</u>	<u>3,611</u>	<u>1,992</u>	<u>3,611</u>

Included within other debtors is a deferred tax asset of £350,000 (1996: £990,000), of which £215,000 (1996: £990,000) is receivable after more than one year.

15 Market and client creditors

	1997	Group	1997	Company
	£000	1996	£000	1996
		£000		£000
Market and client creditors include:				
Amounts owed by group undertakings	<u>1,063</u>	<u>3,510</u>	<u>1,063</u>	<u>3,510</u>

16 Other creditors

	1997	Group	1997	Company
	£000	1996	£000	1996
		£000		£000
Amounts owed to group undertakings	752	1,216	1,166	1,630
Other creditors	398	732	398	732
Dividends payable	850	425	850	425
Corporation tax	-	651	-	651
ACT payable	-	497	-	497
Accruals and deferred income	<u>3,277</u>	<u>3,122</u>	<u>3,277</u>	<u>3,122</u>
	<u>5,277</u>	<u>6,643</u>	<u>5,691</u>	<u>7,057</u>

Dividends payable represent arrears of dividend for 1996 and 1997 on 5% cumulative redeemable preference shares.

17 Provisions for liabilities and charges

Group and Company	£000
At 28 December 1996	2,992
Utilised during year	(2,889)
Charge for the year	8,550
	<u>8,653</u>
At 26 December 1997	

Provision is made for the future rental and related costs of leasehold property where it is vacant, surplus to the Company's requirements or the leasehold property has been sublet at a loss.

18 Called up share capital

	1997 £000	1996 £000
Authorised		
Ordinary shares of £1 each	9,800	9,800
5% cumulative redeemable preference shares of £1 each	<u>10,200</u>	<u>10,200</u>
	<u>20,000</u>	<u>20,000</u>
 Called up, allotted and fully paid		
Ordinary shares of £1 each	8,000	8,000
5% cumulative redeemable preference shares of £1 each	<u>8,500</u>	<u>8,500</u>
	<u>16,500</u>	<u>16,500</u>

The 8,500,000 5% cumulative redeemable preferences shares of £1 each entitle the holder to receive a cumulative preference dividend at the rate of 5% on the paid up capital and the right to a return of capital at either a winding up or a repayment of capital. The preference shares do not entitle the holders to any further or other participation on the profits of CSUK or any voting rights. The preference shares are redeemable at a par at the option of the Company. This is subject to receiving the permission of the SFA and following a six month period of notice.

19 Statement of movement in reserves

Group	Capital contribution reserve £000	Profit and loss £000
At 28 December 1996	-	1,537
Loss for the year	-	(8,483)
Capital contribution	8,500	-
	<u>8,500</u>	<u>(6,946)</u>
At 26 December 1997		

Company	Capital contribution reserve £000	Profit and loss £000
At 28 December 1996	-	1,123
Loss for the year	-	(8,483)
Capital contribution	8,500	-
At 26 December 1997	<u>8,500</u>	<u>(7,360)</u>

During the year the Company received a capital contribution of £8.5 million from Credit Suisse. The amount is distributable subject to approval of the SFA.

20 Reconciliation of movements in shareholders' funds

Group	1997 £000	1996 £000
(Loss)/profit on ordinary activities after taxation	(8,058)	642
Non- equity preference dividends - current year	(425)	(425)
Capital contribution received	<u>8,500</u>	<u>-</u>
	17	217
Opening shareholders funds	<u>18,037</u>	<u>17,820</u>
Closing shareholders funds	<u>18,054</u>	<u>18,037</u>
 Company		
	1997 £000	1996 £000
(Loss)/profit on ordinary activities after taxation	(8,058)	642
Non- equity preference dividends - current year	(425)	(425)
Capital contribution received	<u>8,500</u>	<u>-</u>
	17	217
Opening shareholders funds	<u>17,623</u>	<u>17,406</u>
Closing shareholders funds	<u>17,640</u>	<u>17,623</u>

21 Pensions

The group contributes to a Defined Contribution Scheme, the Credit Suisse Asset Management Limited Pension Scheme. The group pension charge in the respect of the Scheme for the year ended 26 December 1997 was £246,000 (1996: £278,000), all of which had been paid over the year end.

Certain employees of the group are members of the Credit Suisse Pension and Life Assurance Scheme. Details of the actuarial valuation of this group scheme may be obtained from the financial statements for Credit Suisse Asset Management Limited.

22 Contingent liabilities

The Company had outstanding guarantees aggregating £3.49 million at year end (1996: £1.8 million).

Included within outstanding guarantees is an amount of £1.89 million, representing guarantees on behalf of or for the benefit of fellow subsidiary undertakings of the Company.

23 Financial commitments

Operating leases

At 26 December 1997 the company had annual commitments under non-cancellable operating leases, all of which related to land and buildings, as set out below:

	1997 £'000	1996 £'000
Operating leases which expire:		
■ within one year	-	-
■ one to five years	-	-
■ over five years	<u>1,723</u>	<u>2,029</u>
	<u>1,723</u>	<u>2,029</u>

24 Clients Deposits

At 26 December 1997 amounts held on behalf of clients amounted to £68,613,000 (1996: £70,120,000). The Company has no beneficial interest in these deposits and accordingly they are not included in the balance sheet.

25 Company Profit and Loss

The Company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of retained loss for the financial year in respect of the Company is £8,483,000 (1996: profit £298,000).

26 Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group, and the consolidated financial statements in which the Company is included are publicly available.

27 Related party transactions

Under Financial Reporting Standard 8 the Company is exempt from the requirement to disclose transactions with related parties on the grounds that it is a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group, and the consolidated financial statements in which the Company is included are publicly available.

28 Ultimate parent company

The company is a subsidiary of Credit Suisse, formerly known as Swiss Volksbank, a company incorporated in the Canton of Zurich, Switzerland. The consolidated accounts of Credit Suisse are available to the public and may be obtained from Credit Suisse (UK) Limited, Five Cabot Square, London, E14 4QR.

The ultimate parent company is Credit Suisse Group, formerly known as CS Holding, a company incorporated in the Canton of Zurich, Switzerland. The consolidated accounts of Credit Suisse Group are available to the public and may be obtained from Credit Suisse (UK) Limited, Five Cabot Square, London, E14 4QR.