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**CREDIT SUISSE FIRST BOSTON (UK) INVESTMENT HOLDINGS**  
**REPORT AND ACCOUNTS**  
**1998**



[Company Number: 3045280]

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**Board of Directors**

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Stephen A. M. Hester	Director
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David C Mulford	Director
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David A J Swain	Director
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Robert Stevens	Director
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## Directors' Report for the period ended 31st December 1998

The directors present their report and the accounts for the period ended 31st December 1998.

### Activities

Credit Suisse First Boston (UK) Investment Holdings 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 Bond 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 holds 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 1997 and up to the date of this report are as follows:

Appointments	- Stephen A. M. Hester	- 9 <sup>th</sup> October 1998
	- Robert Stevens	- 9 <sup>th</sup> October 1998
	- David A. J. Swain	- 9 <sup>th</sup> October 1998
Resignations	- Adrian R. T. Cooper	- 9 <sup>th</sup> October 1998
	- Paul N. Elliott	- 9 <sup>th</sup> October 1998
	- Robert T. Stodel	- 9 <sup>th</sup> 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 1998

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### Results

The consolidated loss for the year was US\$(778,229,000) (1997 profit - US\$16,904,000). No dividends were paid during the year (1997 - US\$ nil) and the directors do not propose a dividend for the year ended 31st December 1998.

### Share Capital

During the year 500 million preference shares of US\$1 each (1998 - US\$500,000,000, 1997 - US\$193,002,700), were issued at par to fund capital contributions to subsidiary undertakings.

### Capital contributions

During the period the Group received net capital contributions of US\$450,000,000 (1997 - US\$ nil).

### Year 2000

The challenge faced by financial institutions worldwide as the year 2000 approaches is substantial. It extends to almost every aspect of daily operations and interaction with the market. The Credit Suisse First Boston group of companies, of which this group is a part (the CSFB Group) began work on the Year 2000 issue in 1996, utilising a priority driven methodology, encompassing inventory and assessment, remediation or replacement, testing, third party risk analysis and contingency planning.

Business critical systems are being addressed first and having identified over 600 that require remediation, 87% were completed and put back into production by 31<sup>st</sup> December 1998. Remediation of non-compliant date formats has been achieved either by expanding the date format to incorporate four-digit years, or by 'windowing' for century determination. To mitigate third party risks, during 1998 over 2,300 customers and business partners were contacted in relation to their own Year 2000 projects, and over 550 third party vendors were contacted to assess product compliance. In addition, the CSFB Group has participated in 30 industry tests during 1998 and is committed to taking part in 58 industry tests planned during 1999. However, with systems of such size and complexity, with multiple interfaces to, and high reliance upon, external systems, no-one can guarantee that there will be no adverse affects arising out of the Year 2000 issue. As a consequence, the CSFB Group has started a contingency planning process, which includes the formation of management teams to respond quickly to unexpected events.

The Board of Directors and the Executive Board of Credit Suisse First Boston, the parent company of the CSFB Group are provided with regular status reports and have given high priority to the Year 2000 project.

Expenditure on Year 2000 compliance to 31<sup>st</sup> December 1998 was US\$ 9,167,000 and anticipated expenditure for the year to 31<sup>st</sup> December 1999 is US\$ 17,157,000.

## Directors' Report for the period ended 31st December 1998

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### Introduction of the Euro

The EMU conversion process took place over the weekend of 31<sup>st</sup> December 1998 to 3<sup>rd</sup> January 1999 with all business lines signed off as ready for business on Saturday 2<sup>nd</sup> January 1999. All outstanding issues were resolved by the end of the first week of January.

Expenditure in respect of EMU compliance for the year to 31<sup>st</sup> December 1998 was US\$ 44,503,000 and anticipated expenditure for the year to 31<sup>st</sup> December 1999 is US\$ 14,985,000.

### 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.

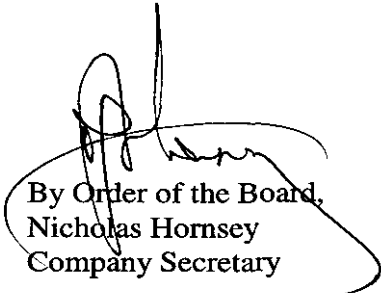
The Group gives full and fair consideration to disabled persons in employment applications, training and career development.

### 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\$10,530 (1997 - US\$246,753) were made during the period.



By Order of the Board,  
Nicholas Hornsey  
Company Secretary

One Cabot Square  
London

29<sup>th</sup> October 1999

## 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 Auditors to the Members of Credit Suisse First Boston (UK) Investment Holdings

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We have audited the accounts on pages 7 to 26.

Respective responsibilities of directors and auditors

As described on page 5 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 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KMG Audit Plc*

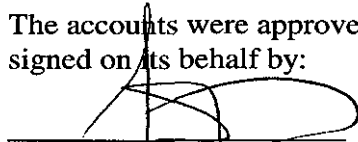
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

29 October 1999

Consolidated Balance Sheet as at 31st December 1998

		1998 US\$000's	1997 US\$000's
Fixed assets	Note		
Tangible assets	3	314,298	188,545
Investments	4	7,720	-
		-----	-----
		322,018	188,545
Current assets			
Trading securities	5	19,821,370	20,046,147
Debtors	6	52,148,089	68,745,039
Cash at bank		472,380	396,123
		-----	-----
		72,441,839	89,187,309
Creditors: amounts falling due within one year			
Trading securities sold, not yet purchased	7	(15,426,040)	(17,981,662)
Other creditors	8	(55,001,335)	(69,366,033)
		-----	-----
		(70,427,375)	(87,347,695)
		-----	-----
Net current assets		2,014,464	1,839,614
		-----	-----
Total assets less current liabilities		2,336,482	2,028,159
		-----	-----
Creditors: amounts falling due after more than one year			
Subordinated loan capital	9	(1,393,500)	(1,189,397)
		-----	-----
Provisions for liabilities and charges	10	(24,929)	(28,671)
		-----	-----
		918,053	810,091
		-----	-----
Capital and reserves			
Called up share capital	11	766,372	266,372
Share premium	12	362,600	362,600
Capital reserves	12	663,235	213,235
Goodwill	12	(95,962)	(95,962)
Profit and loss account	12	(778,192)	63,846
		-----	-----
	13	918,053	810,091
		-----	-----

The accounts were approved by the Board of Directors on 29<sup>th</sup> October 1999 and were signed on its behalf by:

  
Stephen A. M. Hester  
Director

The notes on pages 10 to 26 form part of these accounts



## Consolidated Profit and Loss Account for the year ended 31st December 1998

Continuing Operations			
	Note	1998 US\$000's	1997 US\$000's
Operating income	14	468,028	953,979
Administrative expenses		(1,350,861)	(909,228)
(Loss)/Profit on ordinary activities before taxation	15	(882,833)	44,751
Tax on profit on ordinary activities	16	104,604	(27,847)
(Loss)/Profit retained for the year	12	(778,229)	16,904

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

## Statement of Recognised Gains and Losses for the year ended 31st December 1998


	1998 US\$000's	1997 US\$000's
(Loss)/Profit attributable to ordinary shareholder	(778,229)	16,904
Currency translation differences	(63,809)	(6,750)
Total recognised (loss)/gain	(842,038)	10,154

The notes on pages 10 to 26 form part of these accounts

Balance Sheet as at 31st December 1998

	Note	1998 US\$000's	1997 US\$000's
Fixed asset investments			
Shares in subsidiary undertakings	2	1,806,656	847,383
Current assets			
Debtors	6	490	7
		-----	-----
		490	7
Creditors: amounts falling due within one year	8	(10,699)	(1,093)
		-----	-----
Net current liabilities		(10,209)	(1,086)
		-----	-----
Net Assets		1,796,447	846,297
		-----	-----
Capital and reserves			
Called up share capital	11	766,372	266,372
Share premium	12	362,600	362,600
Capital reserve	12	663,235	213,235
Profit and loss account	12	4,240	4,090
		-----	-----
	13	1,796,447	846,297
		-----	-----

The accounts were approved by the Board of Directors on 29<sup>th</sup> October 1999

  
 Stephen A. M. Hester  
 Director

The notes on pages 10 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 1998.
- (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) Goodwill

*Acquisitions pre 23 December 1998*

Prior to the introduction of FRS 10 (Goodwill and Intangible Assets), on the acquisition of a business, fair values, reflecting conditions at the date of acquisition, were attributed to the net tangible assets acquired. Where the cost of acquisition exceeded the values attributable to the Group's share of such assets, the difference was treated as purchased goodwill and was written off direct to reserves in the year of acquisition. This goodwill was eliminated against reserves as a matter of accounting policy and would be charged or credited to the P&L account on subsequent disposal of the business to which it related. Reorganisation and integration costs resulting from the acquisition were charged to the profit and loss account.

*Acquisitions post 23 December 1998*

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 capitalised, and subsequently written off to the P&L over its useful economic life.

No goodwill has arisen due to acquisition activity in the year ended 31 December 1998.

- (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

At 31 December 1998 the Company was a subsidiary of Credit Suisse First Boston (International) AG which is incorporated in Switzerland. Due to a group restructuring subsequent to year-end (refer note 23), the company's immediate parent is now Credit Suisse First Boston (UK) Investments. The ultimate holding company is Credit Suisse Group which is also incorporated in Switzerland.

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

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, SA, which is registered in Spain, and Credit Suisse First Boston (Italia) SIM SpA which is registered in Italy:

Credit Suisse First Boston (Europe) Limited and its subsidiaries,  
 Credit Suisse First Boston Trustees Limited  
 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  
 Credit Suisse First Boston Sociedad de Valores y Bolsa, SA

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:

	1998 US\$000's
At 1st January 1998	847,383
Capital contributions	950,000
Acquisition of Credit Suisse First Boston Sociedad de Valores y Bolsa SA	9,273
	-----
At 31st December 1998	1,806,656
	-----

Investments in subsidiaries are stated at cost and provisions only made when the directors consider there has been a permanent diminution in value.

Credit Suisse First Boston Sociedad de Valores y Bolsa SA was acquired effective 1<sup>st</sup> January 1998 and has been accounted for by the acquisition method of accounting. No goodwill arose on this acquisition. No other disclosures have been provided, as the acquisition is not material or significant to the group.

### 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
<b>Cost</b>						
1st January 1998	107,781	68,545	5,497	143,370	81,738	406,931
Exchange differences	-	-	365	(353)	(164)	(152)
Additions	516	51,810	533	99,623	28,967	181,449
Disposals	(5,731)	-	(6,395)	(38)	-	(12,164)
	-----	-----	-----	-----	-----	-----
31st December 1998	102,566	120,355	-	242,602	110,541	576,064
	-----	-----	-----	-----	-----	-----
<b>Depreciation</b>						
1st January 1998	64,890	-	1,071	91,958	60,467	218,386
Exchange differences	-	-	71	(194)	(69)	(192)
Charge for the year	5,915	-	5	31,579	7,258	44,757
Disposals	-	-	(1,147)	(38)	-	(1,185)
	-----	-----	-----	-----	-----	-----
31st December 1998	70,805	-	-	123,305	67,656	261,766
	-----	-----	-----	-----	-----	-----
<b>Net Book Value at</b>						
31st December 1998	31,761	120,355	0	119,297	42,885	314,298
	-----	-----	-----	-----	-----	-----
31st December 1997	42,891	68,545	4,426	51,412	21,271	188,545
	-----	-----	-----	-----	-----	-----

### 4. INVESTMENTS

This balance represents the group's capital investment in the Canary Wharf Health Club Partnership. The other partner is Credit Suisse Financial Products, a member of the Credit Suisse Group.

Notes to the Accounts for the year ended 31st December 1998

5. TRADING SECURITIES

Group	1998 US\$000's	1997 US\$000's
Listed in Great Britain	1,956,057	2,055,593
Listed outside Great Britain	16,013,431	15,900,263
Other securities	1,851,882	2,090,291
	<u>19,821,370</u>	<u>20,046,147</u>

6. DEBTORS

Group	1998 US\$000's	1997 US\$000's
Deposits for securities transactions	2,806,805	525,146
Counterparty debtors	3,560,019	3,427,248
Resale agreements	20,978,958	48,780,851
Amounts owed by parent and fellow subsidiary undertakings	16,313,385	12,322,188
Corporation tax recoverable	31,863	37,412
Deferred taxation (see Note 16)	116,636	-
Prepayments and accrued income	757,947	940,097
Positive marked to market of off-balance sheet instruments	7,582,476	2,636,995
Other debtors	-	75,102
	<u>52,148,089</u>	<u>68,745,039</u>

Positive mark to market of off-balance sheet instruments includes US\$430,531,315 (1997 – US\$319,290,000) in respect of instruments issued by parent and fellow subsidiary undertakings.

Company

Amounts owed by parent and fellow subsidiary undertakings	114	-
Prepayments and accrued income	376	7
	<u>490</u>	<u>7</u>



7. TRADING SECURITIES SOLD, NOT YET PURCHASED

Trading securities sold, not yet purchased include US\$492,509,000 (1997 - US\$ nil) issued by parent and fellow subsidiary undertakings.

8. OTHER CREDITORS

	1998 US\$000's	1997 US\$000's
Group		
Loans, bank loans and overdrafts	266,511	1,444,855
Subordinated loan capital (see Note 9)	-	10,227
Counterparty creditors	4,250,908	4,314,646
Repurchase agreements	22,366,869	38,744,231
Deposits received in respect of securities	1,631	-
Amounts owed to parent and fellow subsidiary undertakings	19,069,983	21,067,700
Deferred taxation (see Note 16)	-	7,268
Other taxes and social security costs	32,535	19,551
Corporation tax payable	5,526	-
Other creditors and accruals	1,802,230	1,460,555
Negative marked to market of off-balance sheet instruments	7,205,142	2,297,000
	<u>55,001,335</u>	<u>69,366,033</u>

Negative mark to market of off-balance sheet instruments includes US\$3,552,961,192 (1997 - US\$442,859,000) issued by parent and fellow subsidiary undertakings.

	1998 US\$000's	1997 US\$000's
Company		
Amounts owed to parent and fellow subsidiary undertakings	<u>10,699</u>	<u>1,093</u>

9. SUBORDINATED LOAN CAPITAL

	1998 US\$000's	1997 US\$000's
Due after more than one year and issued to:		
Credit Suisse First Boston Finance BV		
- issued by Credit Suisse First Boston (Europe) Limited	1,393,500	1,123,500
- issued by Credit Suisse First Boston (Fixed Assets) Limited	-	47,500
- issued by Credit Suisse First Boston (Italia) SIM SpA	-	10,749
- issued by Credit Suisse First Boston Canary Wharf Health Club	-	7,648
	-----	-----
	1,393,500	1,189,397
	-----	-----

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.

10. PROVISIONS

	Restructuring Programme US\$000's	Commitments US\$000's	Total US\$000's
As at 1 <sup>st</sup> January 1998	6,347	22,324	28,671
Utilised during the year	-	2,392	2,392
Released during the year	(6,347)	-	(6,347)
Currency translation difference	-	213	213
	-----	-----	-----
As at 31 <sup>st</sup> December 1998	-	24,929	24,929
	-----	-----	-----

Provisions at 31st December 1998 represent the Group's expected net expense under non-cancellable operating lease commitments.

# 11. CALLED UP SHARE CAPITAL

	1998 US\$000's	1997 US\$000's
Authorised		
100,000,000 ordinary shares of US\$1 each	100,000	100,000
1,000,000,000 preference shares of US\$1 each	1,000,000	135,000
35,000,000 preference shares of £ 1 each	58,003	58,003
	-----	-----
	1,158,003	293,003
	-----	-----
Allotted, called up, and fully paid		
73,369,578 ordinary shares of US\$1 each	73,369	73,369
635,000,000 preference shares of US\$1 each	635,000	135,000
35,000,000 preference shares of £ 1 each	58,003	58,003
	-----	-----
	766,372	266,372
	-----	-----

During the year 500 million preference shares of US\$1 each (1998 - US\$500,000,000, 1997 - US\$193,002,700), were issued at par to fund capital contributions to subsidiaries.

# 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 1998	362,600	213,235	(95,962)	63,846
(Loss) for the year	-	-	-	(778,229)
Net capital contributions	-	450,000	-	-
Exchange differences	-	-	-	(63,809)
	-----	-----	-----	-----
At 31st December 1998	362,600	663,235	(95,962)	(778,192)
	-----	-----	-----	-----

Company	Share premium US\$000's	Capital US\$000's	Profit and loss account US\$000's
At 1st January 1998	362,600	213,235	4,090
Profit for the year	-	-	1
Net capital contributions	-	450,000	-
Exchange differences	-	-	149
	-----	-----	-----
At 31st December 1998	362,600	663,235	4,240
	-----	-----	-----

Notes to the Accounts for the year ended 31st December 1998

13. MOVEMENT IN SHAREHOLDERS' FUNDS

Group	1998 US\$000's	1997 US\$000's
Opening shareholders' funds	810,091	606,934
Issue of share capital	500,000	193,003
Net capital contributions	450,000	-
(Loss)/Profit for the year	(778,229)	16,904
Exchange differences	(63,809)	(6,750)
	-----	-----
Closing shareholders' funds (equity)	918,053	810,091
	-----	-----
Company	1998 US\$000's	1997 US\$000's
Opening shareholders' funds	846,297	653,298
Issue of share capital	500,000	193,003
Net capital contributions	450,000	-
Profit/(Loss) for the year	1	(4)
Exchange differences	149	-
	-----	-----
Closing shareholders' funds (equity)	1,796,447	846,297
	-----	-----

14. OPERATING INCOME

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

a. Interest payable	1998 US\$000's	1997 US\$000's
On loans, bank loans and overdrafts	478,359	572,288
On amounts owed to parent and fellow subsidiary undertakings	469,298	293,611
On subordinated loans from parent and fellow subsidiary undertakings repayable within five years	-	81,039
	-----	-----
	947,657	946,938
	-----	-----

Notes to the Accounts for the year ended 31st December 1998

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14. OPERATING INCOME (continued)

b. Interest receivable and other similar income	(1,508,795)	(1,737,671)
	-----	-----

Interest receivable and other similar income includes amounts owed by parent and other group undertakings of US\$150,695,725 (1997 - US\$529,478,000).

15. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	1998 US\$000's	1997 US\$000's
Directors' emoluments	-	388
Auditors' remuneration for audit services:		
Subsidiaries	2,737	749
Auditors' remuneration for non-audit services	8,547	250
Operating lease rentals	159,080	57,289
Depreciation	44,757	31,528
	-----	-----

The Company's auditors' remuneration for audit services in both years has been borne by a subsidiary undertaking.

## 16. TAXATION

The taxation charge/(credit) comprises:

	1998 US\$000's	1997 US\$000's
U.K. and foreign taxation	(5,206)	13,072
Group relief for nil consideration	(2,832)	(2,089)
Deferred taxation	(107,279)	18,515
	-----	-----
	(115,317)	29,498
 Prior years - current taxation	 10,713	 (5,747)
- deferred taxation	-	4,096
	-----	-----
	(104,604)	27,847
	-----	-----
 Deferred taxation asset/(liability)		
At 1st January 1998	(7,268)	15,894
Movement for the period	123,904	(22,611)
Currency translation differences	-	(551)
	-----	-----
At 31st December 1998	116,636	(7,268)
	-----	-----

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

	1998 US\$000's	1997 US\$000's
Accelerated capital allowances on fixed assets	1,104	(13,144)
Deferred bonus provision	79,730	-
Losses carried forward	20,238	-
Other timing differences	15,564	5,876
	-----	-----
	116,636	(7,268)
	-----	-----

# 17. EMPLOYEES

The average number of persons employed by the Group during the period was 3,221 (1997 – 1,729) as follows:

	1998	1997
Front office	1,321	799
Back office	1,900	930
	-----	-----
	3,221	1,729
	-----	-----

Employees' emoluments are analysed as follows:

	1998 US\$000's	1997 US\$000's
Wages and salaries paid	836,079	511,397
Social security costs	49,687	12,145
Pension contributions	28,795	11,313
	-----	-----

# 18. DIRECTORS' EMOLUMENTS

No Directors' emoluments for services to the Group, excluding pension contributions, were paid during the year. An analysis of the previous year's payments is as follows:

	1998 US\$000's	1997 US\$000's
Directors' emoluments:	0	350
Amounts receivable under long term incentive schemes	0	38
	-----	-----
	0	388
	-----	-----

18. DIRECTORS' EMOLUMENTS (continued)

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

	Number of Directors	
	1998	1997
Defined benefit schemes	0	2
	---	---
Directors in respect of whose services shares were received or receivable under long term incentive schemes	0	2
	---	---

19. ASSETS PLEDGED AS COLLATERAL

	1998 US\$000's	1997 US\$000's
Securities deposited with clearing organisations and banks	402,850	134,207
Securities pledged as collateral for loans and notes payable	2,658,712	4,767,381
Securities pledged as collateral for repurchase agreements	1,807,388	4,243,451
Securities pledged as collateral for securities borrowed	2,371,603	2,524,959
	-----	-----
	7,240,553	11,669,998
	-----	-----

In addition to the above, in the ordinary course of business the Group enters into resale and repurchase agreements on a matched basis.



## 20. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) Credit Suisse First Boston Equities Limited has granted a first fixed charge to Midland Bank Plc over certain receivables in respect of the company's membership of CREST and a floating charge over all eligible stock and other sums due to the company against failure to meet its obligations under the Settlement Banking Facility agreement with Midland Bank Plc.
- (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 1998 were:

	1998		1997	
	Land and buildings US\$000's	Other US\$000's	Land and buildings US\$000's	Other US\$000's
- expiring within one year	13	5,658	-	5,434
- expiring between two and five years inclusive	10,889	657	379	-
- expiring after five years	36,324	43,727	22,419	-
	-----	-----	-----	-----
	47,226	50,042	22,798	5,434
	-----	-----	-----	-----

- (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.

## 20. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

- (g) The budgeted direct expenses of Credit Suisse First Boston (Europe) Limited comprise a charge of US\$17,157,000 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 1997 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.

## 21. CAPITAL COMMITMENTS

Capital commitments outstanding are:	1998 US\$000's	1997 US\$000's
- authorised but not contracted for	80,920	133,708
- authorised and contracted	44,284	146,311
	-----	-----
	125,204	280,019
	-----	-----

## 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.

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\$28,615,692 (1997: US\$11,313,000).

23. POST BALANCE SHEET EVENTS

On 27<sup>th</sup> January 1999, Credit Suisse First Boston (UK) Investment Holdings issued 100 million non-cumulative preference shares at par to Credit Suisse First Boston International (Guernsey) Limited. The proceeds were used to fund a capital injection of \$100 million to the reserves of Credit Suisse First Boston (Europe) Limited.

On 26<sup>th</sup> February 1999, 98.01% of the voting ordinary shares and 100% of the preference shares in Credit Suisse First Boston (UK) Investment Holdings were transferred from Credit Suisse First Boston (International) AG to a holding company, Credit Suisse First Boston (UK) Investments, another Group company.