# Credit Suisse Asset Management (UK) Holding Limited

## Directors' report and financial statements

31 December 1998
Registered number 3045295

# Directors' report and financial statements

## Contents

# Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 1998.

### Principal activities

The principal activity of the company is that of a holding company. The company's subsidiary provides global investment management for institutional clients.

### Review of business and future prospects

Funds under management increased from $31.6 billion to $36.6 billion during the year. Both fixed income and equity accounts increased, as London continued to be a major centre for global investment management within the Credit Suisse Group.

The company's subsidiary expects to continue the expansion of its business during 1999.

### Results and dividends

The results of the group for the year are set out in detail on page 5. No dividend has been declared in respect of the year ended 31 December 1998 (1997: £nil).

### Directors and directors' interests

The following are the current directors of the company or directors who served during the year.

PM Colebatch
The Rt. Hon. Lord Moore PC
PK Ryan

None of the directors who served during the period had any interests (either beneficial or non beneficial) in the shares of the company. The company has taken advantage of the exemption from the requirement of Statutory Instrument 1985/802 Section 3, whereby the interest of the directors in the non-UK parent are not disclosed in the financial statements of the company.

### Charitable donations

In the course of the year, the company made no political or charitable donations.

### Post balance sheet event

The company received a capital contribution of £9 million from its parent company on 11 March 1999. The company made a capital contribution of £8 million to its subsidiary on 24 March 1999. There are no taxation issues arising from this transaction.

# Directors' report *(continued)*

### Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

### Year 2000

The challenge faced by financial institutions worldwide as the Year 2000 approaches is substantial, as it extends to almost every aspect of their daily operation and interaction with the markets. Credit Suisse Group recognise the importance of assuring its customers, shareholders and business partners, as well as regulatory authorities, of its preparedness on this issue. The Group believes that sharing information in an open, factual and timely manner is the best policy.

Credit Suisse Group started work on the year 2000 issue in 1996 and each business unit Credit Suisse, Credit Suisse Private Banking, Credit Suisse First Boston, Credit Suisse Asset Management and Winterthur - has created year 2000 projects reporting to their respective Executive Boards. These projects use a priority-driven methodology, encompassing inventory and assessment, remediation or replacement, testing, third party risk analysis and contingency planning.

All of the projects throughout Credit Suisse Group have made significant progress during 1998. By 31 December 1998, the Credit Suisse Group had remediated 83% of their business critical systems. Remaining critical systems are targeted for compliance by the end of the first quarter of 1999, with all other systems targeted for compliance during the second and third quarter. In total around 2,000 critical and 20,000 non-critical systems - representing over 1,000 person-years of effort are being addressed. Credit Suisse Asset Management Limited, the company's subsidiary, is committed to the group policy and by end 1999 will have spent an estimated £4 million on Year 2000 compliance. There will be no further cost to the company.

### Launch of the Euro

During 1998 the company's subsidiary successfully completed the project to prepare for the launch of the Euro. The total cost of the project was £4.6 million.

By order of the board

**C Bolton**
*Deputy Company Secretary*

Beaufort House
15 St. Botolph Street
London
EC3A 7JJ

25 March 1999

## 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 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 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 company and to prevent and detect fraud and other irregularities.

KPMG

KPMG Audit Plc
PO Box 695
8SalisburySquare
London EC4Y 8BB

# Report of the auditors to the members of Credit Suisse Asset Management (UK) Holding Limited

We have audited the financial statements on pages 5 to 16.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the 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 the affairs of the company and of the group as at 31 December 1998 and of the group's profit 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 1999

# Consolidated profit and loss account

*for the year ended 31 December 1998*

| | *Note* | 1998<br>£000 | 1997<br>£000 |
|---|---|---|---|
| **Turnover** - Continuing operations | | 45,333 | 37,151 |
| Administrative expenses | | (43,359) | (31,186) |
| **Operating profit before interest** | | 1,974 | 5,965 |
| Interest receivable and similar income | | 1,015 | 655 |
| Interest payable | *4* | (83) | (118) |
| **Profit on ordinary activities before taxation** | *5* | 2,906 | 6,502 |
| Tax charge on ordinary activities | *6* | (1,206) | (2,166) |
| **Retained profit for the year** | | 1,700 | 4,336 |

There are no recognised gains or losses for the current financial year (1997:£nil) other than as stated in the profit and loss account.

The notes on pages 8 to 16 form an integral part of these financial statements.

# Consolidated balance sheet
***at 31 December 1998***

| | *Note* | 1998 £000 | 1997 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | *7* | 3,130 | 1,292 |
| Investments | *8* | 12 | 12 |
| | | 3,142 | 1,304 |
| **Current assets** | | | |
| Debtors | *9* | 16,916 | 14,792 |
| Cash at bank | | 17,612 | 17,038 |
| | | 34,528 | 31,830 |
| **Creditors:** amounts falling due within one year | *10* | (19,974) | (17,138) |
| **Net current assets** | | 14,554 | 14,692 |
| **Total assets less current liabilities** | | 17,696 | 15,996 |
| **Capital and reserves** | | | |
| Called up share capital | *11* | 11,005 | 11,005 |
| Share premium account | *12* | 187 | 187 |
| Capital reserve | *12* | 1,835 | 1,835 |
| Profit and loss account | *12* | 4,669 | 2,969 |
| **Shareholders' funds (equity interests)** | *13* | 17,696 | 15,996 |

These financial statements were approved by the board of directors on 25 March 1999 and were signed on its behalf by:

Moore

**The Rt. Hon. Lord Moore PC**
*Director*

## Company balance sheet
***at 31 December 1998***

| | *Note* | 1998<br>£000 | 1997<br>£000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | *7* | 3,130 | 1,292 |
| Investments | *8* | 7,005 | 7,005 |
| | | 10,135 | 8,297 |
| **Current assets** | | | |
| Debtors | *9* | 956 | 3,132 |
| Cash at bank | | 6 | 5 |
| | | 962 | 3,137 |
| **Creditors:** amounts falling due within one year | *10* | (686) | (897) |
| **Net current assets** | | 276 | 2,240 |
| **Total assets less current liabilities** | | 10,411 | 10,537 |
| **Capital and reserves** | | | |
| Called up share capital | *11* | 11,005 | 11,005 |
| Share premium account | *12* | 187 | 187 |
| Profit and loss account | *12* | (781) | (655) |
| **Shareholders' funds (equity interests)** | *13* | 10,411 | 10,537 |

These financial statements were approved by the board of directors on 25 March 1999 and were signed on its behalf by:

Moore

**The Rt. Hon. Lord Moore PC**
*Director*

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

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

The following accounting policies have been adopted:

***Basis of consolidation***

The group's financial statements consolidate the accounts of the company and its subsidiary.

***Foreign currencies***

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the period were translated at the month end rates. Exchange differences are included in the profit and loss account.

***Turnover***

Turnover comprises the value of asset management and advisory fees and commissions earned in the year and is recognised on an accruals basis.

***Deferred taxation***

Deferred taxation is calculated under the liability method and provided only to the extent that it is considered with reasonable probability that the liability/asset will crystallise within the foreseeable future.

***Pension costs***

Pension costs are recognised in the profit and loss account over the period in which the benefit is derived from employee services.

***Fixed asset investments***

Fixed asset investments are valued at the lower of cost and market value.

***Depreciation***

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which is considered to be five years in respect of leasehold improvements and three years for all other tangible fixed assets. The capital payment in respect of the non exclusive licence to use Beaufort House is depreciated over five years.

# Notes *(continued)*

## 1 Accounting policies (continued)

### *Cash flow statement*

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cashflow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cashflow statement is included in the ultimate parent company's financial statements, which are publicly available.

### *Related party transactions*

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated accounts of the ultimate parent company are publicly available.

## 2 Employees

| | **1998** | 1997 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **17,286** | 15,659 |
| Social Security costs | **1,006** | 838 |
| Pension contributions | **1,012** | 976 |
| | **19,304** | 17,473 |

The average number of employees of the company's subsidiary company in the year was 203 (1997:173) all of whom were engaged in investment management activities.

# Notes *(continued)*

## 3 Directors' emoluments

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Directors' emoluments | 270 | 676 |
| Amounts receivable under long term incentive schemes | - | 74 |
| | 270 | 750 |
| Company contributions to money purchase schemes | 32 | 29 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £270,000 (1997:£506,000). He is a member of a defined contribution scheme.

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

| | Number of directors 1998 | 1997 |
|---|---|---|
| Money purchase schemes | 1 | 1 |
| Defined benefit schemes | - | 1 |
| The number of directors in respect of whose services, shares were received or receivable under long term incentive schemes was | - | 1 |

## 4 Interest payable

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Amount payable to fellow subsidiary undertaking | 83 | 118 |

# Notes *(continued)*

## 5 Profit on ordinary activities before taxation

The loss on ordinary activities before taxation in the consolidated profit and loss account is stated after charging:

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Auditors' remuneration (company £5,000) | 45 | 45 |
| Auditors' remuneration for non-audit services (company £nil) | 2,365 | 143 |
| Depreciation | 936 | 1,186 |
| Directors' emoluments | 270 | 750 |
| Exchange losses | - | 356 |

## 6 Taxation

The taxation charge comprises:

| | 1998 £000 | 1997 £000 |
|---|---|---|
| UK corporation tax on income for the year provided at 31% (1997: 31.5%) | 718 | 2,671 |
| Prior year underprovision for corporation tax | - | 226 |
| Deferred tax charge/(benefit) at 31% (1997:31.5%) | 441 | (731) |
| | 1,206 | 2,166 |

# Notes *(continued)*

## 7 Tangible fixed assets

| Group and Company | Capital payment | Leasehold improvements | Furniture and equipment | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Cost*** | | | | |
| At beginning of year | 2,040 | 422 | 2,726 | 5,188 |
| Additions | - | 123 | 2,651 | 2,774 |
| At end of year | 2,040 | 545 | 5,377 | 7,962 |
| ***Depreciation*** | | | | |
| At beginning of year | 1,326 | 281 | 2,289 | 3,896 |
| Charge for year | 408 | 112 | 416 | 936 |
| At end of year | 1,734 | 393 | 2,705 | 4,832 |
| ***Net book value*** | | | | |
| **At 31 December 1998** | **306** | **152** | **2,672** | **3,130** |
| At 31 December 1997 | 714 | 141 | 437 | 1,292 |

In 1995 the company paid an amount of £2,040,000 in respect of a non-exclusive licence to occupy their current premises of Beaufort House; this was paid to Credit Suisse (UK) Limited, formerly Credit Suisse Asset Management Limited.

## 8 Fixed asset investments

| Group | £000 |
|---|---|
| Cost | |
| At 31 December 1997 | 12 |
| At 31 December 1998 | 12 |

The fixed asset investment of £12,000 in the group balance sheet comprises the 49,998 redeemable preference shares of £1 each (25p called up and paid) issued by Central European Growth Fund Plc. That company also has in issue ordinary shares, none of which are beneficially held by any Credit Suisse Group company.

| Company | £000 |
|---|---|
| Cost | |
| At 31 December 1997 | 7,005 |
| At 31 December 1998 | 7,005 |

Fixed asset investments in the company balance sheet represent a 100% interest in the ordinary share capital of Credit Suisse Asset Management Limited, a company registered in England and Wales. The subsidiary undertaking provides global investment management for institutional clients.

# Notes *(continued)*

## 9 Debtors

| | Group 1998 £000 | Company 1998 £000 | Group 1997 £000 | Company 1997 £000 |
|---|---|---|---|---|
| Trade debtors | 3,567 | - | 2,597 | - |
| Amounts owed by fellow subsidiary undertakings | 2,249 | 773 | 2,089 | 2,822 |
| Other debtors | 1,720 | - | 1,085 | - |
| Prepayments and accrued income | 9,091 | - | 8,290 | - |
| Deferred taxation | 242 | 136 | 731 | 310 |
| Corporation tax recoverable | 47 | 47 | - | - |
| | 16,916 | 956 | 14,792 | 3,132 |

| | Group 1998 £000 | Company 1998 £000 | Group 1997 £000 | Company 1997 £000 |
|---|---|---|---|---|
| Deferred taxation is made up of: | | | | |
| Accelerated capital allowances | 242 | 136 | 335 | 310 |
| Other timing differences | - | - | 396 | - |

## 10 Creditors: amounts falling due within one year

| | Group 1998 £000 | Company 1998 £000 | Group 1997 £000 | Company 1997 £000 |
|---|---|---|---|---|
| Amounts owed by fellow subsidiary | 3,086 | 686 | 3,217 | 686 |
| Other creditors | 505 | - | 405 | - |
| Corporation tax | 1,633 | - | 2,565 | 211 |
| Accruals and deferred income | 14,750 | - | 10,951 | - |
| | 19,974 | 686 | 17,138 | 897 |

# Notes *(continued)*

## 11 Share capital

| | 1998 £000 | 1997 £000 |
|---|---|---|
| *Authorised* | | |
| 20,000,000 ordinary shares of £1 each | 20,000 | 20,000 |
| *Allotted, called up and fully paid* | | |
| 11,005,187 ordinary shares of £1 each | 11,005 | 11,005 |

## 12 Statement of movement on reserves

| Group | Profit and loss account £000 | Share premium account £000 | Capital reserve £000 | Total £000 |
|---|---|---|---|---|
| Balance at 31 December 1997 | 2,969 | 187 | 1,835 | 4,991 |
| Profit for the year | 1,700 | - | - | 1,700 |
| **Balance at 31 December 1998** | 4,669 | 187 | 1,835 | 6,691 |

| Company | Profit and loss account £000 | Share premium account £000 | Total £000 |
|---|---|---|---|
| Balance at 31 December 1997 | (655) | 187 | (468) |
| Loss for the year | (126) | - | (126) |
| **Balance at 31 December 1998** | (781) | 187 | (594) |

## 13 Reconciliation of movement in shareholders' funds

| | Group 1998 £000 | Company 1998 £000 | Group 1997 £000 | Company 1997 £000 |
|---|---|---|---|---|
| Opening shareholders' funds | 15,996 | 10,537 | 11,660 | 10,654 |
| Profit/(loss) for the year | 1,700 | (126) | 4,336 | (117) |
| Closing shareholders' funds | 17,696 | 10,411 | 15,996 | 10,537 |

# Notes *(continued)*

## 14 Company profit and loss account

The company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The company incurred a loss of £126,000 (1997: loss £117,000) during the financial year.

## 15 Pension scheme

The company operates a number of pension schemes with assets held in separate trustee administered funds. The majority of employees are covered by a defined contribution scheme, the Credit Suisse Asset Management Pension Scheme.

The company also participates in a number of defined benefit pension schemes. On 30 April 1997 these schemes were merged under one scheme, Credit Suisse Group (UK) Pension Fund ("the 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 30 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.

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

The company contributes to the Scheme, at a rate of 15% of basic salaries per annum. Prior to February 1998, the rate was 13.7%.

## 16 Post balance sheet event

The company received a capital contribution of £9 million from its parent company on 11 March 1999. The company made a capital contribution of £8 million to its subsidiary on 24 March 1999. There are no taxation issues arising from this transaction.

## 17 Related party transactions

The following is a related party transaction in respect of a non-group company:

During the year investment management fees of £2,059,941 (1997:£2,279,437) were receivable from Central European Growth Fund Plc by the company's subsidiary undertaking. At the year end the sum of £667,910 (1997:£1,097,949) was recorded as a debtor balance.

# Notes *(continued)*

## 18 Parent and ultimate holding company

The company is a subsidiary of Credit Suisse First Boston, a company incorporated in the Canton of Zurich, Switzerland. The accounts of Credit Suisse First Boston are available from its head office which is at Uetlibergstrasse 231, Zurich. The ultimate parent undertaking is Credit Suisse Group which is incorporated in the canton of Zurich, Switzerland and whose accounts are available to the public at its head office at Paradeplatz 8, Zurich.