

**BANKERS TRUST INVESTMENTS PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

**Registration number: 727694**



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**BANKERS TRUST INVESTMENTS PLC**

**DIRECTORS AND ADVISORS**

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**Directors**

B R Cook  
J S Cross  
A M Graham  
N D Harrison  
T M Quane

**Company Secretary**

I A Pellow FCIS

**Registered Office**

1 Appold Street  
Broadgate  
London  
EC2A 2HE

**Auditors**

KPMG Audit Plc  
8 Salisbury Square  
London  
EC4Y 8BB

**Company Registered Number: 727694**

## **BANKERS TRUST INVESTMENTS PLC**

### **DIRECTORS' REPORT**

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

#### **Results and dividends**

The loss after taxation amounted to \$140,650,000 (1997 - \$7,614,000 loss). No dividends were paid during the year (1997 - \$55,000,000). The directors do not recommend the payment of any dividend in respect of the year.

#### **Principal activity and future developments**

The Company is a holding company. On June 5, 1999 the Company disposed of its investment in Bankers Trust International PLC. The Company has retained its other holdings.

On November 30, 1998 Deutsche Bank AG and Bankers Trust Corporation ("BTCorp") announced that the Supervisory Board of Deutsche Bank AG and the Board of Directors of Bankers Trust Corporation had approved a definitive agreement for a transaction under which Deutsche Bank AG would acquire all outstanding shares of the common stock of Bankers Trust Corporation, at a price of US\$ 93.00 per share in cash.

All outstanding shares of the common stock of BTCorp were acquired by Deutsche Bank AG on June 4, 1999.

#### **Directors and their interests**

The directors of the Company during the year or at the date of this report were:

P R Burke	(resigned June 7, 1999)
B R Cook	
J S Cross	
A M Graham	(appointed May 15, 1998)
N D Harrison	
T M Quane	(appointed August 27, 1998)
A S Ramsay	(appointed May 15, 1998)
	(resigned June 5, 1999)
W G Ronai	(resigned May 15, 1998)

The Company has received no notification that any of the directors has at any time during the year held any disclosable interest in any shares or debentures of the Company or any other group company.

#### **Creditor payment policy**

The Company has no suppliers. Expenses of the Company are paid for by a subsidiary.

## **BANKERS TRUST INVESTMENTS PLC**

### **DIRECTORS' REPORT (continued)**

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#### **Year 2000 readiness disclosure**

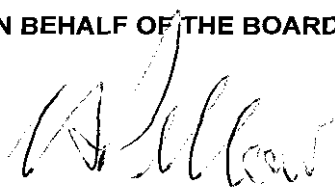
BTCorp maintains a firm-wide program to prepare its computer systems, applications and infrastructure, including those of or used by Bankers Trust Investments PLC, for properly processing dates after December 31, 1999. This program has been proceeding in accordance with US regulatory guidelines and work will continue through 1999 and 2000. BTCorp does not expect a material loss as a result of the Year 2000 issue; however there can be no guarantee that the systems of third parties on which BTCorp relies will be remediated on a timely basis and would not have a material effect on BTCorp.

Bankers Trust Investments PLC has not incurred and does not expect to incur material expenses and the directors do not expect a material loss to occur as a result of the Year 2000 issue.

#### **Auditors**

A resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the Annual General Meeting.

#### **ON BEHALF OF THE BOARD**



**I A Pellow FCIS**  
**Company Secretary**

## **BANKERS TRUST INVESTMENTS PLC**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES** **in respect of the financial statements**

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 of the Company 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;
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **BANKERS TRUST INVESTMENTS PLC**

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### **REPORT OF THE AUDITORS**

**to the members of Bankers Trust Investments PLC**

We have audited the financial statements on pages 6 to 16.

#### **Respective responsibilities of directors and auditors**

As described on page 4 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 affairs of the Company as at December 31, 1998 and of the loss of the Company 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  
London

Date: *26 July 1999*

**BANKERS TRUST INVESTMENTS PLC****PROFIT AND LOSS ACCOUNT**  
**for the year ended December 31, 1998**

	Notes	1998 \$'000	1997 \$'000
Fees and commissions receivable		-	16
Other operating charges		-	(238)
		<hr/>	<hr/>
<b>OPERATING LOSS</b>	2,3	-	(222)
Loss on sale of investments		-	(2,367)
Amounts written off investments	7,15	(142,683)	-
Interest receivable	4	29,574	30,499
Interest payable	5	(36,770)	(33,858)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(149,879)	(5,948)
Tax on loss on ordinary activities	6	9,229	(1,666)
		<hr/>	<hr/>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(140,650)	(7,614)
Equity dividends on ordinary shares		-	(55,000)
		<hr/>	<hr/>
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		<u>(140,650)</u>	<u>(62,614)</u>

The loss during the period has arisen from continuing operations.

The notes on pages 9 to 16 form part of these financial statements.



**BANKERS TRUST INVESTMENTS PLC**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended December 31, 1998**

	<b>Notes</b>	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Loss for the year		(140,650)	(7,614)
Unrealised deficit on revaluation of investments	7, 14	(287,005)	(12,572)
Currency translation differences on foreign currency investments	7, 14	(300)	(7,347)
Other gains	14	-	1,491
Total recognised gains and losses relating to the year		<u>(427,955)</u>	<u>(26,042)</u>

Included within currency translation differences is \$1,613,000 (1997 - \$3,320,000) relating to exchange losses on loans used to finance foreign investments.

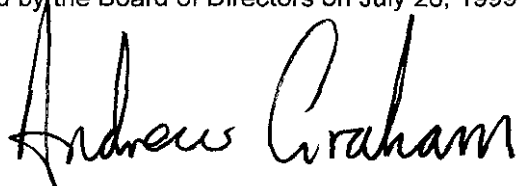
The notes on pages 9 to 16 form part of these financial statements.

**BANKERS TRUST INVESTMENTS PLC****BALANCE SHEET**  
**at December 31, 1998**

	Notes	1998 \$'000	1997 \$'000
<b>FIXED ASSETS</b>			
Investments	7	2,032,816	2,460,590
		<u>2,032,816</u>	<u>2,460,590</u>
<b>CURRENT ASSETS</b>			
Debtors	8	14,031	77,659
Cash at bank	9	19,971	16,166
		<u>34,002</u>	<u>93,825</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(159,993)	(220,236)
<b>NET CURRENT LIABILITIES</b>		<u>(125,991)</u>	<u>(126,411)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,906,825	2,334,179
<b>CREDITORS: amounts falling due after more than one year</b>	11	(319,137)	(318,536)
<b>NET ASSETS</b>		<u>1,587,688</u>	<u>2,015,643</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13,14	429,029	429,029
Share premium	14	144,097	144,097
Revaluation reserve	14	3,738	289,430
Profit and loss account	14	1,010,824	1,153,087
<b>SHAREHOLDERS' FUNDS</b>		<u>1,587,688</u>	<u>2,015,643</u>

Approved by the Board of Directors on July 26, 1999

Director



The notes on pages 9 to 16 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998**

**1 Accounting policies**

**Basis of preparation**

These financial statements have been prepared under the historical cost convention except for investments in the equity capital of subsidiary undertakings, and in accordance with applicable accounting standards.

**Valuation of fixed asset investments**

Investments in the equity capital of subsidiary undertakings are revalued to reflect current net asset values. In the situation where an undertaking's liabilities exceed its assets, the Company carries the investment at zero. Any surplus on revaluation, and any deficit which is deemed to be temporary, has been taken to revaluation reserves. Provision for any deficit which is deemed to be permanent is taken to the profit and loss account.

Debt securities and equity shares are held for investment purposes where they are intended for use on a continuing basis in the activities of the Group.

- (a) Debt securities held for investment purposes are valued at cost in the currency of purchase and revalued at the exchange rate current at the balance sheet date. The premium or discount arising on the purchase is amortised or accreted to the profit and loss account over the remaining life of the security.
- (b) Equity shares held for investment purposes are valued at cost less amounts provided for any permanent diminution in value.

**Format of accounts**

The Company does not produce a cash flow statement by virtue of an exemption contained in FRS 1 (Revised 1996). The Company's ultimate parent company for 1998, Bankers Trust Corporation ("BTCorp"), presents a cash flow statement in its Annual Report.

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties which are part of the BTCorp world-wide group.

Both of the exemptions above also rely on BTCorp's consolidated financial statements being publicly available (see Note 16).

**Reporting currency**

The reporting currency of the Company's activities is US dollars. This is to achieve consistency with its ultimate holding company and also because of the international nature of the Company's business.

**Foreign currency**

Transactions in currencies other than US Dollars are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than US Dollars are translated at the rates of exchange at the balance sheet date. Gains and losses on translation are taken to the profit and loss account, except for those arising from the re-translation of the assets and liabilities of an overseas branch, or subsidiary undertaking, which are taken to the revaluation reserve. Where a foreign currency loan is used to finance foreign equity investment, exchange gains and losses on the foreign currency borrowings are offset as a reserve movement, against the exchange rate gains/losses on the investment.

**BANKERS TRUST INVESTMENTS PLC****NOTES TO THE FINANCIAL STATEMENTS  
at December 31, 1998 (continued)****1 Accounting policies (continued)****Deferred taxation**

Deferred taxation is provided on all timing differences using the liability method except where such timing differences are not expected to crystallise in the foreseeable future. The provision is calculated at the rate at which it is estimated that the tax will be payable.

**2 Auditors' remuneration**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Audit services	<u>6</u>	<u>6</u>

The remuneration of the auditors for 1998 and 1997 is borne by a group undertaking.

**3 Directors' emoluments**

Directors' emoluments include salaries, bonuses, the estimated money value of benefits in kind and the estimated money value of shares awarded (other than those awarded under long term incentive schemes). Directors' emoluments do not include the value of stock options granted, any Company contributions paid in respect of pension schemes and any money or other assets receivable under long term incentive schemes. The following amounts represent the proportion of each director's total remuneration from BT Corp which is deemed to relate to their services in the management of the Group.

	<b>1998 \$000</b>	<b>1997 \$000</b>
Emoluments	92	68
Money receivable under long term incentive schemes	2	2
Money purchase pension contributions	<u>10</u>	<u>16</u>
	<u>104</u>	<u>86</u>

Of the directors who are members of BT Corp pension schemes, 7 accrue money purchase benefits (1997 - 5) and 3 accrue defined benefits (1997 - 2).

During the year, no directors exercised share options (1997 - 4) and 7 received shares under long-term incentive schemes (1997 - 5).

The remuneration of the highest paid director amounted to \$26,421 (1997 - \$18,408). The highest paid director's money purchase pension contributions amounted to \$3,185 (1997 - \$1,796). During 1998 and 1997 the highest paid director did not exercise share options and in both 1998 and 1997 the highest paid director received shares under long-term incentive schemes.

Directors' emoluments are borne by a group undertaking.

**4 Interest receivable**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Interest receivable from group companies	27,232	28,401
Other interest receivable and similar income	2,342	2,098
	<u>29,574</u>	<u>30,499</u>

**BANKERS TRUST INVESTMENTS PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998 (continued)**

**5 Interest payable**

	<b>1998</b>	<b>1997</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest payable to group companies	34,234	33,858
Other interest payable and similar expenses	2,536	-
	<u>36,770</u>	<u>33,858</u>

**6 Taxation**

	<b>1998</b>	<b>1997</b>
	<b>\$'000</b>	<b>\$'000</b>
Tax refunded in respect of prior periods	(9,229)	-
Foreign tax paid	-	1,666
	<u>(9,229)</u>	<u>1,666</u>

**7 Investments**

<b>1997</b>	<b>Real Estate</b>	<b>Shares in subsidiary undertakings</b>	<b>Loans to subsidiary undertakings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
As at January 1, 1997	16,660	2,068,145	305,400	2,390,205
Additions	-	295,572	-	295,572
Disposals	(16,660)	(189,066)	-	(205,726)
Revaluation	-	(12,572)	-	(12,572)
Foreign exchange loss	-	(4,025)	(2,864)	(6,889)
At December 31, 1997	<u>-</u>	<u>2,158,054</u>	<u>302,536</u>	<u>2,460,590</u>
<b>1998</b>		<b>Shares in subsidiary undertakings</b>	<b>Loans to subsidiary undertakings</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
As at January 1, 1998		2,158,054	302,536	2,460,590
Amounts written off investments		(142,683)	-	(142,683)
Revaluation		(287,005)	-	(287,005)
Foreign exchange gain		1,313	601	1,914
At December 31, 1998		<u>1,729,679</u>	<u>303,137</u>	<u>2,032,816</u>

The historical cost of shares in subsidiary undertakings at December 31, 1998 was \$1,868,624,000 (1997 - \$1,868,624,000).

**BANKERS TRUST INVESTMENTS PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998 (continued)****7 Investments (continued)**

Details of the principal subsidiary undertakings of the Company are as follows:

<b>Name of Company</b>	<b>Country of registration</b>	<b>Class and proportion of shares held</b>	<b>Nature of business</b>
<b>Directly held</b>			
Bankers Trust International PLC	England & Wales	100% of ordinary shares of £1 & \$1	Investment bank
Rodo Nominees Limited	England & Wales	100% of ordinary shares of £1	Nominee company
Bankers Trust France S.A.	France	100% of ordinary shares of 1,000FF	Financial trading
<b>Indirectly held</b>			
BT Effecten GmbH	Germany	100% of capital	Holding securities
BT Financial Trading	England & Wales	99% of ordinary shares of £1	Financial trading
Triplereason Limited	England & Wales	100% of ordinary shares of £1	Holding securities

The loans to subsidiary undertakings are detailed in note 12.

**8 Debtors**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Trade debtors	-	171
Amounts receivable from group undertakings	13,599	64,923
Overseas tax credits	-	6,571
Tax receivable – deducted at source	-	5,465
Amount receivable under swap contracts	-	31
Prepayments and accrued income	432	498
	<u>14,031</u>	<u>77,659</u>

**BANKERS TRUST INVESTMENTS PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
at December 31, 1998 (continued)

**9 Cash at bank**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Deposits held at group undertakings	<u>19,971</u>	<u>16,166</u>

**10 Creditors: amounts falling due within one year**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Trade creditors	-	142
Amounts payable to group undertakings	159,993	216,869
Corporation tax payable	-	3,194
Amounts payable under swap contracts	-	31
	<u>159,993</u>	<u>220,236</u>

**11 Creditors: amounts falling due after more than one year**

<b>Amounts payable to group undertakings</b>	<b>1998 \$'000</b>	<b>1997 \$'000</b>
Subordinated loans (see Note 12)	303,137	302,536
Other amounts payable to group undertakings	<u>16,000</u>	<u>16,000</u>
	<u>319,137</u>	<u>318,536</u>

**12 Loans to subsidiary undertakings and subordinated loans**

The loans to a subsidiary undertaking are repayable, but the Company's rights are subordinated to other creditors. The long term subordinated loan liabilities, which are unsecured and subordinated to the rights of ordinary creditors, are due to its parent company Bankers Trust Holdings (U.K.) Limited.

Payment of both the loans and subordinated liabilities are due as follows:

	<b>1998 \$'000</b>	<b>1997 \$'000</b>
£47m payable on December 27, 2000	78,184	77,729
£15m payable on June 28, 2001	24,953	24,807
\$100m payable on June 25, 2002	100,000	100,000
\$100m payable on December 31, 2014	<u>100,000</u>	<u>100,000</u>
	<u>303,137</u>	<u>302,536</u>

**BANKERS TRUST INVESTMENTS PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998 (continued)****12 Loans to subsidiary undertakings and subordinated loans (continued)**

The interest rates applicable to each loan during the year were within the following ranges:-

	<b>Low</b>	<b>High</b>
£47m payable on December 27, 2000	8.36%	9.78%
£15m payable on June 28, 2001	7.10%	8.99%
\$100m payable on June 25, 2002	6.28%	6.34%
\$100m payable on December 31, 2014	5.53%	6.91%

**13 Called up share capital**

	<b>1998 \$'000</b>	<b>1997 \$'000</b>	<b>1998 No'000</b>	<b>1997 No'000</b>
Authorised:				
Ordinary shares of £1 each	85	85	50	50
Ordinary shares of \$1 each	600,000	600,000	600,000	600,000
	<u>600,085</u>	<u>600,085</u>	<u>600,050</u>	<u>600,050</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	85	85	50	50
Ordinary shares of \$1 each	428,944	428,944	428,944	428,944
	<u>429,029</u>	<u>429,029</u>	<u>428,994</u>	<u>428,994</u>



**BANKERS TRUST INVESTMENTS PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998 (continued)****14 Reconciliation of shareholders' funds and movements on reserves**

	Share capital \$'000	Share premium \$'000	Revaluation reserve \$'000	Profit & loss account \$'000	Total \$' 000
At January 1, 1997	377,041	136,442	328,941	1,194,618	2,037,042
Retained loss for the year	-	-	-	(62,614)	(62,614)
Issue of shares	51,988	7,655	-	-	59,643
Currency translation differences	-	-	-	(7,347)	(7,347)
Revaluation of investments	-	-	(12,572)	-	(12,572)
Adjustment related to prior period	-	-	-	1,491	1,491
Realisation of surplus on disposal of investments	-	-	(26,939)	26,939	-
At December 31, 1997	<u>429,029</u>	<u>144,097</u>	<u>289,430</u>	<u>1,153,087</u>	<u>2,015,643</u>
Retained loss for the year	-	-	-	(140,650)	(140,650)
Currency translation differences	-	-	1,313	(1,613)	(300)
Revaluation of investments	-	-	(287,005)	-	(287,005)
At December 31, 1998	<u>429,029</u>	<u>144,097</u>	<u>3,738</u>	<u>1,010,824</u>	<u>1,587,688</u>

**15 Subsequent events**

On June 5, 1999 the Company disposed of its investment in Bankers Trust International PLC at its net asset value at that date. An initial consideration of \$1,723,000,000 has been received which is subject to adjustment. The carrying value of this investment at December 31, 1998 was \$1,707,411,000 after write down for diminution in value.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**at December 31, 1998 (continued)**

**16 Ultimate parent company**

For 1998 the Company's ultimate parent company, and the largest group for which financial statements are prepared, is Bankers Trust Corporation ("BTCorp"), which is incorporated in the United States of America, and is listed on the New York Stock Exchange. For 1998 the Company's ultimate parent company within the EC, and the smallest group for which financial statements are prepared, is Bankers Trust Holdings (U.K.) Limited, which is registered in England and prepares group financial statements.

From June 4, 1999 BTCorp is, for the purposes of the Companies Act 1985, the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up.

Copies of the financial statements prepared in respect of BTCorp and Bankers Trust Holdings (U.K.) Limited may be obtained from the Company Secretary, 1 Appold Street, London EC2A 2HE.

From June 4, 1999 Deutsche Bank AG, a company registered in Germany, is the Company's ultimate controlling entity, also being the ultimate parent company and the parent undertaking of the largest such group for which group financial statements are drawn up.

Copies of the financial statements prepared in respect of Deutsche Bank AG may be obtained from the Company Secretary, Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB.