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OF
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BANKERS TRUST
INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1985



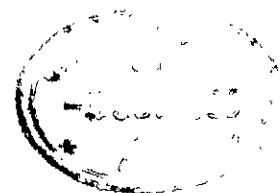
Bankers Trust International Limited

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BANKERS TRUST
INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1985



BANKERS TRUST INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS - 31 DECEMBER 1985

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BANKERS TRUST INTERNATIONAL LIMITED**DIRECTORS**Bankers Trust Company**NON EXECUTIVE CHAIRMAN****David O. Beim (USA)****Executive Vice President
Corporate Finance Dept., New York****MANAGING DIRECTOR****John R. Howard (USA)****Senior Vice President
Corporate Finance Dept., London****OTHER BOARD MEMBERS****Robert L. Barbnell (USA)****Senior Vice President,
Corporate Finance Dept., New York****Jan R. Brumm (USA)****Executive Vice President,
Europe, Middle East and Africa
Division, London****Garret G. Thunen (USA)****Senior Vice President
Resources Management Dept., London****Allen D. Wheat (USA)****Senior Vice President
Corporate Finance Dept., New York****COMPANY SECRETARY****James Curren****REGISTERED OFFICE****Dashwood House
69 Old Broad Street
London EC2P 2EE****AUDITORS****Price Waterhouse, Chartered Accountants
Southwark Towers,
32 London Bridge Street,
London SE1 9SY**

BANKERS TRUST INTERNATIONAL LIMITED**1. REPORT OF THE DIRECTORS**

The directors present, with this report, the audited accounts of the company for the year ended 31 December 1985.

2. PRINCIPAL ACTIVITY

The principal activity of the company is the business of banking.

3. RESULTS FOR THE YEAR

The net profit for the year amounted to £7,666,249 as shown in the profit and loss account.

The accumulated surplus, amounting to £23,547,521 was carried forward at 31 December 1985.

4. DIRECTORS

The present members of the board are shown on Page 1.

Movement of directors since 1 January 1985 was as follows:

G E Solomon - resigned 1 May 1985

5. DIRECTORS' INTERESTS

None of the directors had during the year any beneficial interest in any shares of the company or of any other group company incorporated in Great Britain.

6. AUDITORS

In accordance with the provisions of the Companies Act 1985, a resolution to re-appoint the retiring auditors, Price Waterhouse, will be proposed at the Annual General Meeting.

By order of the Board



James Curren
Company Secretary

Dashwood House
69 Old Broad Street
London EC2P 2EE

25 April 1986

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BANKERS TRUST INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BANKERS TRUST INTERNATIONAL LIMITED

We have audited the financial statements on Pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants

Southwark Towers
32 London Bridge Street
London SE1 9SY

25 April 1986

BANKERS TRUST INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
PROFIT BEFORE TAXATION	3	10,757,202	9,864,171
Taxation	6	3,090,953	3,132,982
PROFIT AFTER TAXATION		7,666,249	6,731,189
Balance brought forward		15,881,272	9,150,083
BALANCE CARRIED FORWARD		<u>£23,547,521</u> =====	<u>£15,881,272</u> =====

The annexed notes form an integral part of these accounts.

BANKERS TRUST INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 1985

SHARE CAPITAL AND RESERVES	Notes	1985 £	1984 £
Authorised, issued and fully paid: 16,000,000 ordinary shares of £1 each	4	16,000,000	6,000,000
Profit and Loss Account		23,547,521	15,881,272
SHAREHOLDERS' EQUITY		39,547,521	21,881,272
LIABILITIES	7		
Deposits		967,311,340	635,359,319
Securities on trading account, short positions		23,263,302	2,449,434
Amounts payable for securities purchased		502,768,987	229,915,874
Other amounts payable and accruals		48,870,758	34,163,850
Taxation - current and deferred	6	5,730,591	4,460,487
		£1,587,492,499	£928,230,236
ASSETS	7		
CURRENT ASSETS			
Cash, balances at bankers and money at call and short notice	8	12,125,064	20,191,428
Securities on trading account, long positions	9	1,103,111,570	433,487,162
Amounts receivable for securities sold		214,680,900	192,731,910
Other amounts receivable and prepayments		43,055,343	18,095,386
Loans & placements maturing within 1 year	10	64,766,845	41,997,462
		1,437,739,722	706,503,348
SECURITIES on treasury account	12	54,799,425	70,442,579
LOANS AND PLACEMENTS maturing after 1 year	10	90,607,614	150,654,571
Investments - Unlisted	13	4,345,738	629,738
Fixed assets	1	-	-
		£1,587,492,499	£928,230,236

David O. Beim - Chairman
John R. Howard - Managing Director
James Curren - Company Secretary

David O. Beim
John R. Howard
James Curren

The accounts were approved by the Board of Directors on 25 April 1986.
The annexed notes form an integral part of these accounts.

BANKERS TRUST INTERNATIONAL LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1985

	<u>1985</u> £	<u>1984</u> £
SOURCE OF FUNDS		
Profit before taxation	10,757,202	9,864,171
Adjustment of items not involving the movement of funds:		
Depreciation	-	41,938
Other	-	75
TOTAL GENERATED FROM OPERATIONS	10,757,202	9,906,184
FUNDS FROM OTHER SOURCES		
Increase in Share Capital	10,000,000	-
Increase in deposits	331,952,021	304,497,170
Increase in securities on trading account-short positions	20,813,868	(692,172)
Increase in amounts payable	287,560,021	145,061,920
Decrease in cash, balances at bankers and money at call and short notice	8,066,364	(18,119,551)
Decrease in loans and placements	37,277,574	(146,325,291)
Decrease in shares in subsidiaries	250,000	-
Decrease in securities on treasury account	15,643,154	(51,430,280)
Disposal of fixed assets	-	5,838
	<u>£722,320,204</u>	<u>£242,903,818</u>
APPLICATION OF FUNDS		
Increase in securities on trading account	669,624,408	176,751,115
Increase in amounts receivable	46,908,947	65,575,928
Increase in unlisted Investments	3,966,000	-
Taxation	1,820,849	576,690
Purchase of fixed assets	-	85
	<u>£722,320,204</u>	<u>£242,903,818</u>

BANKERS TRUST INTERNATIONAL LIMITED
 NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

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BANKERS TRUST INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 1985****1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below.

- (i) The financial statements have been prepared under the historical cost convention as modified by the revaluation of unlisted investments to directors' valuation.
- (ii) Interest is accrued to profits on a daily basis when it is current. No accrual is made when payment of interest or principal is more than 90 days overdue. No cases of overdue payments occurred in 1985.
- (iii) Fees and commissions are accrued to profits when the underlying contract becomes legally binding or at the agreed due date if later.
- (iv) Capital Markets income earned jointly with a holding company is shared equally.
- (v) The company engages in interest rate and currency swap activities as a financial intermediary. Income is recorded in fees and commissions over the life of the agreements, except for arrangement fees which are recognised when the services are complete.
- (vi) Premiums and discounts on securities held on treasury account are amortised over the period from purchase to maturity on a straight-line basis.
- (vii) Specific provision is made against loans and advances when the likelihood of loss is considered certain or probable.
- (viii) Assets and liabilities in foreign currencies have been expressed in sterling at the rates of exchange at the balance sheet date.
- (ix) Securities on trading account are stated at market value.
- (x) Securities on treasury account are stated at cost plus discount earned to date less a provision when it is considered that a permanent diminution in value has occurred.
- (xi) Fixed assets are written down to NIL value. Purchases of assets for use by the company are purchased by, and recorded in, the financial records of a holding company.

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

2. FORMAT OF ACCOUNTS

Group accounts have not been presented as the company is a wholly-owned subsidiary of another company incorporated in the United Kingdom.

The accounts have been prepared in accordance with Section 257 of, and Schedule 9 to, the Companies Act 1985.

3. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	<u>1985</u> £	<u>1984</u> £
Depreciation of fixed assets	-	41,938
Auditors' remuneration	45,000	35,000
Directors' emoluments (note 5)	487,937	305,349
Settlement under the terms of a Release and Payment Agreement in respect of a former director	-	98,630
Ex-gratia payment to former director	33,195	-

and after crediting:

Recoveries in respect of loan losses	25,444	179,234
--------------------------------------	--------	---------

Turnover is not disclosed as it is wholly attributable to the business of banking.

4. SHARE CAPITAL

	<u>1985</u> £	<u>1984</u> £
Authorised, issued and fully paid: 16,000,000 Ordinary Shares of £1 each	£16,000,000	£6,000,000

On 30 September 1985, the authorised share capital of the Company was increased to £16,000,000 by the issue of an additional 10,000,000 Ordinary shares of £1 each.

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

3. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments other than those of the Chairman and highest paid Director (excluding pension contributions) are:

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
No emoluments	3	5
£10,001 - £15,000	-	1
£40,001 - £45,000	1	-
£80,001 - £85,000	-	1
£160,001 - £165,000	1	-

The Chairman did not receive emoluments during 1985 (1984: NIL).
The emoluments of the highest paid director during 1985 amounted to £284,216 (1984: £209,490).

The number of employees receiving remuneration in excess of £30,000 is as follows:

	<u>1985</u>	<u>1984</u>
£30,001 - £35,000	2	1
£35,001 - £40,000	1	-
£40,001 - £45,000	1	4
£45,001 - £50,000	4	3
£50,001 - £55,000	3	-
£55,001 - £60,000	2	1
£60,001 - £65,000	3	1
£65,001 - £70,000	1	-
£70,001 - £75,000	1	1
£75,001 - £80,000	1	-
£80,001 - £85,000	2	-
£85,001 - £90,000	2	1
£90,001 - £95,000	2	-
£115,001 - £120,000	-	1
£120,001 - £125,000	-	-
£130,001 - £135,000	1	-
£135,001 - £140,000	1	-

The payment to certain directors and higher paid employees of certain remuneration provided for in the accounts is not unconditional and as a consequence the amounts included above are in respect of payments made during the year.

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

6. TAXATION

The taxation charge, based on the profit for the year is made up as follows:

	<u>1985</u> £	<u>1984</u> £
Corporation tax at 41.25% (1984 - 46.25%)		
Current	3,090,953	5,167,248
Prior years	-	(38,041)
Deferred	-	(1,996,225)
Double taxation relief	(1,645,085)	(625,995)
	-----	-----
	1,445,868	2,506,987
Overseas taxation	1,645,085	625,995
	-----	-----
	£3,090,953	£3,132,982
	=====	=====

The taxation charge for the year is calculated after the deduction of relief for group losses in the amount of £3,425,000.

The taxation provision in the balance sheet wholly comprises of a liability in respect of current U.K. taxation.

Tax losses of approximately £272,000 utilised to obtain recovery of the tax credit on franked investment income in a prior year are available against future profits on payment of the ACT applicable.

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

7. BALANCES WITH GROUP COMPANIES

The undernoted balances are included in the assets and liabilities detailed on page 5.

<u>Assets :</u>	<u>1985</u> £	<u>1984</u> £
Holding companies and fellow subsidiaries	134,713,905	138,070,594
<u>Liabilities:</u>		
Holding companies and fellow subsidiaries	1,023,524,573	626,542,920
Subsidiaries	423	423

8. MONEY AT CALL AND SHORT NOTICE

Money at call and short notice includes placements with a maturity of 14 days or less.

9. SECURITIES ON TRADING ACCOUNT

	<u>1985</u> £	<u>1984</u> £
Long positions comprise :		
Certificates of deposit	660,705,763	94,623,419
Floating rate notes	235,999,185	276,221,920
Other debt securities	72,956,666	28,126,633
Euronotes	133,449,956	34,515,190
	<u>£1,103,111,570</u>	<u>£433,487,162</u>
	=====	=====

10. LOANS AND PLACEMENTS (under and over 1 year)

	<u>1985</u> £	<u>1984</u> £
Brazil/Mexico	45,030,617	94,984,326
Hong Kong - ECGD guaranteed	19,056,854	16,435,026
Nigeria - ECGD guaranteed	5,079,082	5,647,206
U.K.	61,271,561	49,715,082
U.S.A. - ECGD guaranteed	7,872,441	11,473,841
- Other	17,063,904	14,396,552
	<u>£155,374,459</u>	<u>£192,652,033</u>
	=====	=====

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

11. TRANSACTIONS WITH DIRECTORS AND OFFICERS

There were no outstanding transactions at the end of the year (1984 £27,194).

12. SECURITIES ON TREASURY ACCOUNT

	<u>1985</u> £	<u>1984</u> £
Securities on treasury account comprise:		
Certificates of deposit:		
Issued by a holding company	54,438,687	67,931,034
Floating rate notes	125,591	2,277,221
Other debt securities	235,147	234,324
	<u>£54,799,425</u>	<u>£70,442,579</u>
	*****	*****

13. INVESTMENTS - UNLISTED

	<u>1985</u> £	<u>1984</u> £
Investments comprise:		
Unquoted investments:		
At cost or valuation		
(Directors valuation		
- £3,966,000; 1984 NIL)	3,966,000	-
Shares in Subsidiaries:		
At cost or valuation	379,738	629,738
	<u>£ 4,345,738</u>	<u>£ 629,738</u>
	*****	*****

The names of the subsidiaries, each of which is incorporated in England and wholly owned, are:

BTI Investments Limited
 Lognee Holdings Limited (in voluntary liquidation)
 New Broad Street Properties Limited (in voluntary liquidation)
 Rodo Nominees Limited

BANKERS TRUST INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

13. INVESTMENTS - UNLISTED (CONTINUED)

Although the affairs of Lognee Holdings Limited are in the hands of an independent liquidator, the investment has been revalued to the directors' estimated realisable value and included under the heading "Shares in subsidiaries".

New Broad Street Properties Limited was placed into voluntary liquidation on 10 January 1986.

In the opinion of the directors the aggregate value of the assets of the company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated or included in the balance sheet.

14. COMMITMENTS

The company has commitments in respect of guarantees, borrowed securities, ECGD loans, deposit agreements, underwriting agreements and interest rate and currency swaps, all of which are entered into in the ordinary course of business.

Interest rate swap activities generally involve the contractual exchange of interest obligations. Such contracts will result in an interest gain or loss position, primarily due to interest rate movements subsequent to the date of the contract. The company manages the risk associated with swap activities by entering into offsetting swap contracts and financial hedges. However, there would be a cost of replacement for those swap contracts that are in a gain position should such contracts go into default and have to be replaced at the then current market rates. Through 31 December 1985, no default had occurred.

The estimated cost to the company of replacement of all interest rate swap contracts in a gain position (representing 650 contracts) at 31 December 1985 was approximately £380 million.

No provision is considered necessary in respect of these matters.

15. ULTIMATE HOLDING COMPANY

The ultimate holding company is Bankers Trust New York Corporation, incorporated in the United States of America.