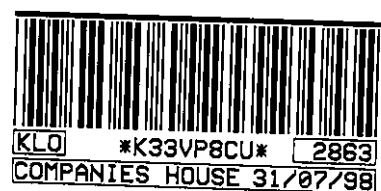


BANKERS TRUST INVESTMENTS PLC

REPORT AND ACCOUNTS

DECEMBER 31, 1997

Registration number: 727694



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DIRECTORS AND ADVISORS

Directors

P R Burke
B R Cook
J S Cross
A M Graham
N D Harrison
A S Ramsay

Company Secretary

I A Pellow

Registered Office

1 Appold Street
Broadgate
London
EC2A 2HE

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Company Registered Number: 727694

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1997.

Results and dividends

The loss after taxation amounted to \$7,614,000 (1996 - \$26,988,000 profit.). Dividends of \$55,000,000 were declared and paid during the year (1996 - \$Nil). The directors do not recommend the payment of any further dividend in respect of the year (1996 - \$Nil).

Principal activity and future developments

The Company is a holding company. The directors do not anticipate any significant changes in the nature of this activity in the future.

Directors and their interests

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

P R Burke
B R Cook
J S Cross
A M Graham (appointed May 15, 1998)
N D Harrison
A S Ramsay (appointed May 15, 1998)
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.

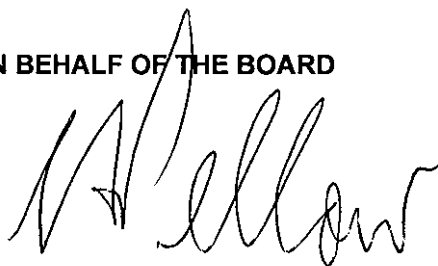
Creditor payment policy

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

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
Company Secretary

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.

REPORT OF THE AUDITORS

to the members of Bankers Trust Investments PLC

We have audited the financial statements on pages 5 to 13.

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 affairs of the Company as at December 31, 1997 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: *31 July 1998*

PROFIT AND LOSS ACCOUNT

for the year ended December 31, 1997

| | Notes | 1997 \$'000 | 1996 \$'000 |
|---|-------|-----------------|----------------|
| Fees and commissions receivable | | 16 | 16 |
| Other operating income | | - | 1,055 |
| | | 16 | 1,071 |
| Other operating charges | | (238) | (2,232) |
| OPERATING LOSS | 2,3 | (222) | (1,161) |
| (Losses) / Gains on sales of investments | | (2,367) | 7,018 |
| Dividend income from subsidiary undertaking | | - | 25,728 |
| Interest receivable | 4 | 30,499 | 25,908 |
| Interest payable to group companies | | (33,858) | (30,505) |
| (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (5,948) | 26,988 |
| Tax on (loss) / profit on ordinary activities | 5 | (1,666) | - |
| (LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | (7,614) | 26,988 |
| Equity dividends on ordinary shares | | (55,000) | - |
| RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR | | <u>(62,614)</u> | <u>26,988</u> |

The loss during the period has arisen from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended December 31, 1997

| | Notes | 1997 \$'000 | 1996 \$'000 |
|--|-------|-----------------|----------------|
| (Loss) / Profit for the year | | (7,614) | 26,988 |
| Unrealised (deficit) / surplus on revaluation of investments | 6, 13 | (12,572) | 138,214 |
| Currency translation differences on foreign currency investments | 13 | (7,347) | (1,699) |
| Other gains | 13 | 1,491 | - |
| Total recognised gains and losses relating to the year | | <u>(26,042)</u> | <u>163,503</u> |

Included within currency translation differences is \$3,320,000 relating to exchange losses on loans used to finance foreign investments.

BALANCE SHEET
at December 31, 1997

| | Notes | 1997 \$'000 | 1996 \$'000 |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Investments | 6 | 2,460,590 | 2,390,205 |
| | | <u>2,460,590</u> | <u>2,390,205</u> |
| CURRENT ASSETS | | | |
| Debtors | 7 | 77,659 | 78,787 |
| Cash at bank | 8 | 16,166 | 115,120 |
| | | <u>93,825</u> | <u>193,907</u> |
| CREDITORS: amounts falling due within one year | 9 | (220,236) | (225,670) |
| NET CURRENT (LIABILITIES) | | <u>(126,411)</u> | <u>(31,763)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,334,179 | 2,358,442 |
| CREDITORS: amounts falling due after more than one year | 10 | (318,536) | (321,400) |
| | | <u>2,015,643</u> | <u>2,037,042</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12,13 | 429,029 | 377,041 |
| Share premium | 13 | 144,097 | 136,442 |
| Revaluation reserve | 13 | 289,430 | 328,941 |
| Profit and loss account | 13 | 1,153,087 | 1,194,618 |
| SHAREHOLDERS' FUNDS | | <u>2,015,643</u> | <u>2,037,042</u> |

Approved by the Board of Directors on 31 July 1998


Director

NOTES TO THE ACCOUNTS
at December 31, 1997

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.

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 classification of certain balances with group undertakings has been amended to reflect better the nature of those balances. Comparative amounts have been restated accordingly.

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, 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 14).

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.

NOTES TO THE ACCOUNTS
at December 31, 1997 (continued)
2 Auditors' remuneration

| | 1997 \$'000 | 1996 \$'000 |
|----------------|------------------------------|------------------------------|
| Audit services | <u>6</u> | <u>6</u> |

The remuneration of the auditors for 1997 and 1996 is borne by a subsidiary 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.

| | 1997 \$000 | 1996 \$000 |
|--|-----------------------------|-----------------------------|
| Emoluments | 68 | 62 |
| Money receivable under long term incentive schemes | 2 | 1 |
| Money purchase pension contributions | <u>16</u> | <u>7</u> |
| | <u>86</u> | <u>70</u> |

Of the directors who are members of BT Corp pension schemes, 5 accrue money purchase benefits (1996 - 6) and none accrue defined benefits (1996 - none).

During the year, 4 directors exercised share options (1996 - 2) and 5 received shares under long-term incentive schemes (1996 - 5).

The remuneration of the highest paid director amounted to \$18,408 (1996 - \$15,030). The highest paid director's money purchase pension contributions amounted to \$1,796 (1996 - \$1,704). During 1997, the highest paid director did not exercise share options. In 1996, he exercised share options, and in both 1997 and 1996 he received shares under long-term incentive schemes.

4 Interest receivable

| | 1997 \$'000 | 1996 \$'000 |
|--|------------------------------|------------------------------|
| Interest receivable from group companies | 28,401 | 25,908 |
| Other interest receivable and similar income | 2,098 | - |
| | <u>30,499</u> | <u>25,908</u> |

5 Taxation

No provision for UK corporation tax has been made due to group relief that will be surrendered to the company for which no payment will be made. The tax charge is in respect of French tax paid of \$1,666,000.

NOTES TO THE ACCOUNTS
at December 31, 1997 (continued)
6 Investments

| | Real Estate | Shares in subsidiary undertakings | Loans to subsidiary undertakings | Total |
|-----------------------|--------------------|--|---|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 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 | - | 2,158,054 | 302,536 | 2,460,590 |

BT Holdings (Europe) Limited & Cie was dissolved during the year. As a consequence Bankers Trust Investments PLC acquired direct investments in Bankers Trust (France) S.A. and Bankers Trust Finance et Marchés, S.A. The investment in Bankers Trust (France) S.A. was sold to the Company's subsidiary Bankers Trust International PLC ("BTI"), and following a transfer of its assets and liabilities to BTI, it was dissolved in accordance with the provisions of the French Civil Code.

The historical cost of shares in subsidiary undertakings is \$1,868,624,000 (1996 - \$1,739,204,000)

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

| Name of Company | Country of registration | Class and proportion of shares held | Nature of business |
|--|--------------------------------|--|---------------------------|
| Directly held | | | |
| 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 Finance et Marchés, S.A. | France | 100% of ordinary shares of 1,000FF | Financial trading |
| Indirectly held | | | |
| Bankers Trust Futures (Europe) GIE | France | 100% of capital | Financial trading |
| BT Effecten GmbH | Germany | 100% of capital | Holding securities |
| BT Financial Trading | England & Wales | 99% of ordinary shares of £1 | Financial trading |

The loans to subsidiary undertakings are detailed in note 11.

NOTES TO THE ACCOUNTS
at December 31, 1997 (continued)
7 Debtors

| | 1997 | 1996 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Trade debtors | 171 | 727 |
| Amounts receivable from subsidiary undertakings | 64,923 | 63,825 |
| Overseas tax credits | 6,571 | 6,755 |
| Tax receivable - deducted at source | 5,465 | 5,277 |
| Other tax | - | 205 |
| Amount receivable under swap contracts | 31 | 662 |
| Prepayments and accrued income | 498 | 1,336 |
| | <u>77,659</u> | <u>78,787</u> |

8 Cash at bank

| | 1997 | 1996 |
|--|---------------|----------------|
| | \$'000 | \$'000 |
| Deposits held at subsidiary undertakings | <u>16,166</u> | <u>115,120</u> |

9 Creditors: amounts falling due within one year

| | 1997 | 1996 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Trade creditors | 142 | 159 |
| Amounts payable to parent and fellow subsidiary undertakings | 216,869 | 221,489 |
| Corporation tax payable | 3,194 | 3,360 |
| Amounts payable under swap contracts | 31 | 662 |
| | <u>220,236</u> | <u>225,670</u> |

10 Creditors: amounts falling due after more than one year

| Amounts payable to Group companies | 1997 | 1996 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Subordinated loans (see Note 11) | 302,536 | 305,400 |
| Other amounts payable to parent and fellow subsidiary undertakings | 16,000 | 16,000 |
| | <u>318,536</u> | <u>321,400</u> |

NOTES TO THE ACCOUNTS

at December 31, 1997 (continued)

11 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:

| | 1997 \$'000 | 1996 \$'000 |
|-------------------------------------|----------------|----------------|
| £47m payable on December 27, 2000 | 77,729 | 79,900 |
| £15m payable on June 28, 2001 | 24,807 | 25,500 |
| \$100m payable on June 25, 2002 | 100,000 | 100,000 |
| \$100m payable on December 31, 2014 | 100,000 | 100,000 |
| | <u>302,536</u> | <u>305,400</u> |

12 Called up share capital

| | 1997 \$'000 | 1996 \$'000 | 1997 No'000 | 1996 No'000 |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Authorised: | | | | |
| Ordinary shares of £1 each | 85 | 85 | 50 | 50 |
| Ordinary shares of \$1 each | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> |
| | <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 | <u>428,944</u> | <u>376,956</u> | <u>428,944</u> | <u>376,956</u> |
| | <u>429,029</u> | <u>377,041</u> | <u>428,994</u> | <u>377,006</u> |

On January 2, 1997, Bankers Trust Investments PLC issued 51 million Ordinary Shares of \$1 each to its parent company Bankers Trust Holdings (U.K.) Limited at par. This was required to finance its purchase of 51 million \$1 Ordinary Shares in Bankers Trust International PLC ("BTI").

On November 13, 1997, the Company issued 989,042 Ordinary Shares of \$1 each to its parent company Bankers Trust Holdings (U.K.) Limited in connection with the acquisition of the assets and liabilities of Bankers Trust Company, Paris. On the same date, the assets and liabilities of Bankers Trust Company, Paris were transferred to BTI in consideration for the issue of 988,066 Ordinary Shares of \$1 each by BTI.

NOTES TO THE ACCOUNTS
at December 31, 1997 (continued)
13 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, 1996 | 331,033 | 136,442 | 190,727 | 1,169,329 | 1,827,531 |
| Retained profit for the year | - | - | - | 26,988 | 26,988 |
| Issue of shares | 46,000 | - | - | - | 46,000 |
| Currency translation differences | 8 | - | - | (1,699) | (1,691) |
| Revaluation of investments | - | - | 138,214 | - | 138,214 |
| At December 31, 1996 | <u>377,041</u> | <u>136,442</u> | <u>328,941</u> | <u>1,194,618</u> | <u>2,037,042</u> |
| At January 1, 1997 | 377,041 | 136,442 | 328,941 | 1,194,618 | 2,037,042 |
| Retained profit 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> |

14 Ultimate parent company

The Company is wholly owned by Bankers Trust Corporation ("BTCorp"), which is the parent of the largest group for which financial statements are prepared. BTCorp is incorporated in the United States and listed on the New York Stock Exchange. Copies of the group financial statements of BTCorp can be obtained on application to the Company.

The Company's ultimate parent company within the EU and the parent of the smallest group for which group financial statements are prepared is Bankers Trust Holdings (U.K.) Limited, which is registered in England and Wales. Copies of the group financial statements of Bankers Trust Holdings (U.K.) Limited can be obtained on application to the Company.