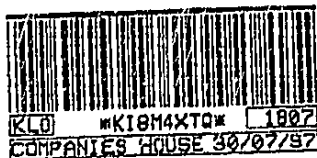

DB U.K. FINANCE p.l.c.

Company Number: 1268118

REPORTS AND FINANCIAL STATEMENTS

31 December 1996



OFFICERS AND PROFESSIONAL ADVISERS
For the year ended 31 December 1996

DIRECTORS

Mr C-W Bertram
The Hon. CHS Low
Mr DG Penfold

SECRETARY

Mr NW Pearson

REGISTERED OFFICE

6 Bishopsgate
London EC2P 2AT

AUDITORS

KPMG Audit Plc

SOLICITORS

Clifford Chance

REPORT OF THE DIRECTORS
For the year ended 31 December 1996

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activity of the company is funding group undertakings.

BUSINESS REVIEW

The company has continued to consolidate its position as a group funding vehicle while retaining a certain volume of lending to international corporations.

RESULTS AND DIVIDENDS

The results of the company for the year are set out on page 5. An interim dividend of £30,000,000 was paid during the year.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows:

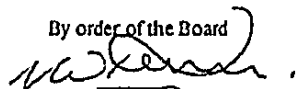
Miss E-R Schneider - Lenné	(Chairman) - (deceased 25 December 1996)
Mr C-W Bertram	
The Hon. CHS Low	
Mr DG Penfold	(appointed 3 September 1996)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

AUDITORS

KPMG Audit Plc have expressed their willingness to continue in office and a resolution for their appointment will be proposed at the Annual General Meeting.

By order of the Board



NW Pearson
Secretary
18 July 1997

6 Bishopsgate
London
EC2P 2AT

REPORT OF THE DIRECTORS
For the year ended 31 December 1996

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 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 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 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.

AUDITORS' REPORT TO THE
MEMBERS OF DB U.K. FINANCE p.l.c.

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 company's affairs as at 31 December 1996 and of its loss 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*

8 Salisbury Square
London EC4Y 8BB
18 July 1997

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1996

	Note	1996 £000	1995 £000
Income from shares in group undertakings		988	608
Income from loans to group undertakings	2	452	89
Other interest receivable and fee income	3	25,487	45,323
Interest payable and similar charges	4	(22,618)	(42,175)
		<u>4,309</u>	<u>3,845</u>
Administrative expenses		(159)	(171)
Provision against investment in subsidiary undertaking		(10,000)	-
Other operating income		34	7
		<u>(5,816)</u>	<u>3,681</u>
Operating (loss)/profit on ordinary activities before taxation	5-6	(5,816)	3,681
Tax on profit on ordinary activities	9	(1,185)	(355)
		<u>(7,001)</u>	<u>3,326</u>
(Loss)/Profit for the financial year		(7,001)	3,326
Dividend paid	10	(30,000)	-
		<u>(37,001)</u>	<u>3,326</u>
Retained (Loss)/Profit for the financial year		(37,001)	3,326
Retained profit brought forward		37,702	34,376
		<u>701</u>	<u>37,702</u>
Retained profit carried forward			

All the above items relate to the continuing operations of the company.

The company has no recognised gains and losses in the period other than those passing through the profit and loss account, therefore a statement of total recognised gains and losses is not required.

BALANCE SHEET
31 December 1996

	Note	1996 £000	1995 £000
Fixed assets			
Investments	11	87,252	91,247
Current assets			
Debtors:			
amounts falling due within one year	12	131,622	554,277
amounts falling due after more than one year	12	47,183	100,442
		178,805	654,719
Creditors: amounts falling due within one year	13	(141,470)	(562,703)
Net current assets		37,335	92,016
Total assets less current liabilities		124,587	183,263
Creditors: amounts falling due after more than one year	14	(73,886)	(95,561)
Net assets		50,701	87,702
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		701	37,702
Shareholders' funds	16	50,701	87,702

These financial statements were approved by the board of directors on 18 July 1997 and were signed on its behalf by:



C-W B. Bram
Director

NOTES TO THE ACCOUNTS
For the year ended 31 December 1996

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) **Basis of preparation**

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

(b) **Interest income/expense**

Interest income and expense is accounted for on an accruals basis.

(c) **Commitment/participation fee income**

Commitment and participation fee income is accounted for on an accruals basis.

(d) **Foreign currencies**

Foreign currency assets and liabilities have been translated into sterling at the market rates of exchange ruling at the balance sheet date. Gains and losses on exchange are included in the profit and loss account. Foreign currency income and expense is translated into sterling at the rate ruling on the date of receipt or payment.

(e) **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

(f) **Cashflow statement**

The Company is exempt from the requirement to prepare a Cashflow Statement under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary undertaking of a company which prepares consolidated financial statements which are publicly available.

2. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1996 £000	1995 £000
Income from loans to group undertakings	452	89

3. OTHER INTEREST RECEIVABLE AND FEE INCOME

	1996 £000	1995 £000
Receivable from group undertakings	11,566	26,358
Other	13,921	18,965
	<u>25,487</u>	<u>45,323</u>

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1996

4. INTEREST PAYABLE AND SIMILAR CHARGES

All interest payable and similar charges are payable to group undertakings.

5. ANALYSIS OF OPERATING (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 Attributable pre-tax profit £000	1995 Attributable pre-tax profit £000
<i>By activity</i>		
Lending	3,196	3,073
Investment holding	(9,012)	608
	<u>(5,816)</u>	<u>3,681</u>

No figures for turnover have been disclosed as there is no meaningful equivalent for the company's business.

6. OPERATING (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £000	1995 £000
<i>Operating (Loss)/Profit on ordinary activities before taxation is stated after charging</i>		
Administration fee payable to parent undertaking	147	159
Auditors' remuneration:		
Audit	<u>12</u>	<u>12</u>

7. REMUNERATION OF DIRECTORS

None of the directors received any emoluments during the year (1995: £nil).

8. STAFF NUMBERS AND COSTS

There were no employees or staff costs during the year (1995: £nil)

9. TAXATION

	1996 £000	1995 £000
Payment for group relief @ 33%	1,055	-
Tax attributable to franked investment income	130	-
Under provision in prior year	-	355
	<u>1,185</u>	<u>355</u>

The corporation tax liability for 1995 was reduced by £1,013,834 as a result of group relief from a subsidiary undertaking's losses for which no payment was made.

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1996

10. DIVIDEND

	1996 £000	1995 £000
Interim - paid	30,000	-
	<u>30,000</u>	<u>-</u>

11. FIXED ASSET INVESTMENTS

	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
<i>Cost</i>			
At beginning of year	54,247	37,000	91,247
Additions	9,413	(3,408)	6,005
At end of year	<u>63,660</u>	<u>33,592</u>	<u>97,252</u>
<i>Provision</i>			
At beginning of year	-	-	-
Profit and loss account	(10,000)	-	(10,000)
At end of year	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
<i>Net book value</i>			
At 31 December 1996	<u>53,660</u>	<u>33,592</u>	<u>87,252</u>
At 31 December 1995	<u>54,247</u>	<u>37,000</u>	<u>91,247</u>
Balances comprise:			
	£000	£000	£000
Subsidiary undertakings	48,925	33,592	82,517
Associated undertaking	4,735	-	4,735
	<u>53,660</u>	<u>33,592</u>	<u>87,252</u>

Of the amount in respect of additions to shares in group undertakings, the majority relates to £6,000,000 additional investment in Deutsche Sharps Pixley Metals Limited and £2,750,000 in Deutsche Morgan Grenfell Futures Limited (formerly DBMG Futures & Options Limited).

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1996

11 **FIXED ASSET INVESTMENTS** (continued)

Details of the company's investments are as follows:

	Country of registration	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Deutsche Bank Gills Limited	England and Wales	Gilt edged market-maker	100% ordinary shares
DB U.K. Nominees Limited	England and Wales	Nominee holding company	100% ordinary shares
Deutsche Sharps Pixley Metals Limited	England and Wales	Ring dealing member of The London Metal Exchange	100% ordinary shares
Deutsche Sharps Pixley Metals Inc	USA	Non-Ferrous broking services	100% ordinary shares
Deutsche Financial Services (UK) Limited	England and Wales	Consumer finance	100% ordinary shares
Deutsche Morgan Grenfell Futures Limited (formerly DBMG Futures & Options Limited)	England and Wales	Futures and options broking	100% ordinary shares
UKF Building Services Limited	England and Wales	Leasing company	100% ordinary shares
UKF Leasing Limited	England and Wales	Leasing	100% ordinary shares
<i>Associate undertaking</i>			
Gordian Knot Limited	England and Wales	Investment management	33.7% ordinary shares

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1996

12. DEBTORS

	1996		1995	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Commercial loans, advances and similar items	84,886	-	158,539	5,274
Amounts owed by group undertakings	45,442	47,183	387,340	95,168
Accrued interest receivable and other debtors	1,294	-	8,398	-
	<u>131,622</u>	<u>47,183</u>	<u>554,277</u>	<u>100,442</u>
<i>The amounts owed by group undertakings comprise</i>				
Parent and fellow subsidiary undertakings	45,442	47,183	385,340	95,168
Associated undertaking	-	-	2,000	-
	<u>45,442</u>	<u>47,183</u>	<u>387,340</u>	<u>95,168</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £000	1995 £000
Amounts owed to parent and fellow subsidiary undertakings	141,374	562,217
Other creditors	96	486
	<u>141,470</u>	<u>562,703</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £000	1995 £000
Amounts owed to parent and fellow subsidiary undertakings all repayable within five years	<u>73,886</u>	<u>95,561</u>

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1996

15. CALLED UP SHARE CAPITAL

	1996 £000	1995 £000
<i>Authorised, issued and fully paid</i>		
50,000,000 ordinary shares of £1 each	50,000	50,000

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
(Loss)/profit for the financial year	(7,001)	3,326
Dividend paid	(30,000)	-
New Share capital subscribed	-	30,000
Net addition to shareholders' funds	(37,001)	33,326
Opening shareholders' funds	87,702	54,376
	50,701	87,702

17. CONTINGENT LIABILITIES

At 31 December 1996 the company had entered into forward foreign exchange contracts in the normal course of business.

18. ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

DB Investments (GB) Limited, a company registered in England and Wales, is the company's immediate controlling entity.

Deutsche Bank AG, a company incorporated in Germany, is the ultimate parent company, the ultimate controlling entity and the parent undertaking of the only group of undertakings for which group financial statements are drawn up. Copies of the Group financial statements of this company are available to the public and may be obtained from 6 Bishopsgate, London EC2P 2AT. No other group accounts include the results of the company.

19. RELATED PARTY TRANSACTIONS

As permitted by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with members or associates of the Deutsche Bank AG group.