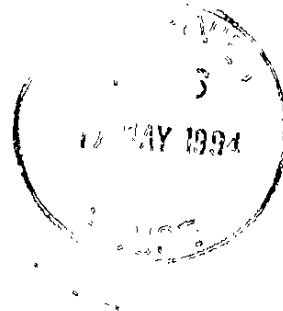


Company Registration No: 2586615

BAVARIAN MORTGAGES NO 2 PLC

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 1993



Touche Ross & Co.
Peterborough Court
133 Fleet Street
London EC4A 2TR

BAVARIAN MORTGAGES NO 2 PLC

DIRECTORS' REPORT

The directors present their report on the affairs of the company together with the audited financial statements for the year ended 31 December 1993.

PRINCIPAL ACTIVITIES AND RESULTS

No trading has taken place during the year ended 31 December 1993 and there is therefore no profit or loss in the year. The directors do not recommend the payment of a dividend.

DIRECTORS AND DIRECTORS' INTERESTS

None of the directors has an interest in the share capital of the company or any other group company. The directors who served during the period were:

P L Sewell (Chairman)	(UK)	
G Funke	(German)	(resigned 17 December 1993)
K Sachs	(German)	(appointed 17 December 1993)

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 as at the end of the financial year and of the result 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;
- 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. 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.

SECRETARY

K R Millward

BAVARIAN MORTGAGES NO 2 PLC
DIRECTORS' REPORT Cont/...

AUDITORS

The directors will place a resolution before the Annual General Meeting to reappoint Touche Ross as auditors.

Approved by the Board of Directors and
signed on behalf of the Board

K R Millward

K R Millward
Secretary

15th May 1994

REPORT OF THE AUDITORS TO THE MEMBERS OF
BAVARIAN MORTGAGES NO 2 PLC

We have audited the financial statements on pages 4 to 6 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 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 1993 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co
Touche Ross & Co.
Chartered Accountants and
Registered Auditors
Peterborough Court
133 Fleet Street
London EC4A 2TR

Date 11 May 1994.

BAVARIAN MORTGAGES NO 2 PLC

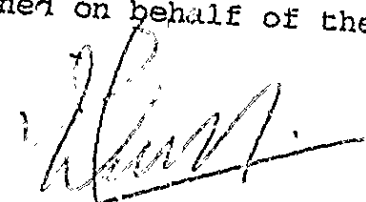
BALANCE SHEET

as at 31 December 1993

	Notes	1993 <u>£000</u>	1992 <u>£000</u>
CURRENT ASSETS			
Debtors	4	12	12
NET ASSETS		<u>12</u>	<u>12</u>
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	5	12	12
		=====	=====

These financial statements were approved by the Board of Directors on 11th May 1994

Signed on behalf of the Board of Directors


Director
P L Sewell

BAVARIAN MORTGAGES NO 2 PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1993

1. ACCOUNTING POLICIES

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

2. AUDIT FEE

The audit fee is borne by the parent company.

3. DIRECTORS AND EMPLOYEES

The company has not paid directors' remuneration, and the company does not directly employ staff.

4. DEBTORS	1993 <u>£000</u>	1992 <u>£000</u>
Amounts owed by Parent Company	12 =====	12 =====
5. CALLED UP SHARE CAPITAL	1993 <u>£</u>	1992 <u>£</u>
Authorised:		
50,000 Ordinary Shares of £1 each	50,000 =====	50,000 =====
Allotted and fully paid:		
2 Ordinary Shares of £1 each	2	2
Allotted and 25 pence part paid		
49,998 Ordinary Shares of £1 each	<u>12,500</u> 12,502 =====	<u>12,500</u> 12,502 =====

6. REPORTING FINANCIAL PERFORMANCE

The company has not traded and has made neither profit nor loss in the current and prior year. As a result, no statement or total recognised gains and losses or reconciliation of movements in shareholders' funds are provided.

BAVARIAN MORTGAGES NO 2 PLC

NOTES TO THE FINANCIAL STATEMENTS Cont/...
for the year ended 31 December 1993

7. ULTIMATE PARENT COMPANY

The ultimate parent company of Bavarian Mortgages No 2 Plc is Bayerische Hypotheken-und Wechsel-Bank AG, which is incorporated in The Federal Republic of Germany. Copies of the group financial statements of the ultimate parent company are available from Arabellastrasse 32, 8000 Munchen 81, The Federal Republic of Germany.