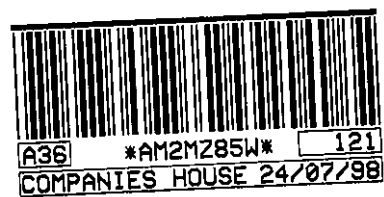

DEUTSCHE MORGAN GRENFELL (UK) LIMITED

Company Number: 3077349

REPORTS AND FINANCIAL STATEMENTS

31 December 1997



REPORT OF THE DIRECTORS
For the year ended 31 December 1997

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 1997.

ACTIVITIES AND REVIEW OF BUSINESS

The principal business is that of an employing company for the Deutsche Bank AG Group in the UK. The position of the Company as at 31 December 1997 is reflected in the audited Balance Sheet set out on page 5.

DIRECTORS

The Directors of the Company at 31 December 1997 were as follows:

DCF Hoysted
DG Penfold
HP Stoehr
DH Thomas (Appointed 18 December 1997)

Mr JP Asquith resigned as a Director of the Company on 30 November 1997. Mr SR Page resigned as Secretary, and Mr GS Clark was appointed Secretary, on 21 October 1997. Subsequent to the year end, Mr DCF Hoysted resigned as a Director of the Company on 31 March 1998.

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; and
- 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 which 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 DIRECTORS (continued)
For the year ended 31 December 1997

DIRECTORS' INTERESTS

None of the Directors had an interest in the share capital of the Company during the year.

None of the Directors had any disclosable interest in the shares or debentures of any UK group undertaking at the end of the year, or were granted or exercised any right to subscribe for shares in, or debentures of, any UK group undertaking during the year.

EMPLOYMENT POLICIES

The Directors are committed to the principle and practice of equal opportunities throughout the Company and seek to ensure that no employee or job applicant receives less favourable treatment on the grounds of sex, race, colour, nationality, ethnic or national origin, religion, marital status, age or disability.

The Directors place considerable emphasis and value on the Company's policy of encouraging internal communication and consultation between employees and management. The opinions of employees are sought, in addition to which they are kept informed on matters which affect them and on the performance of the business as a whole.

The Directors attach a high priority to developing the skills of all employees and to their training and, where necessary, their retraining. The performance appraisal system assists management in career development and succession planning. Promotion from within the Company is strongly supported.

AUDITORS

An Elective Resolution dispensing with the requirement to reappoint Auditors annually was approved by the Company's shareholder on 10 July 1997.

By Order of the Board of Directors this 7th day of July 1998.



GS Clark
Secretary

23 Great Winchester Street
London EC2P 2AX

**REPORT OF THE AUDITORS TO THE MEMBERS OF
DEUTSCHE MORGAN GRENFELL (UK) LIMITED**

We have audited the financial statements on pages 4 to 9.

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 Boards. 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 1997 and of its result 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

20 July 1998

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	<u>Note</u>	<u>1997</u> <u>£</u>	<u>4 July 1995 to</u> <u>31 December 1996</u> <u>£</u>
Turnover	1(b)	567,822,607	383,299,557
Administrative Expenses	2	<u>(567,822,607)</u>	<u>(383,299,557)</u>
Profit on Ordinary Activities Before Tax		-	-
RESULT FOR THE YEAR		-	-


All items dealt with in arriving at the profit before tax for 1997 and 1996 relate to continuing operations.

The Company has no recognised gains or losses other than those included in the profit and loss account above.

BALANCE SHEET
31 December 1997

	Note	<u>1997</u> <u>£</u>	<u>4 July 1995 to</u> <u>31 December 1996</u> <u>£</u>
CURRENT ASSETS			
DEBTORS	5	250,851,833	227,641,215
Cash at bank and in hand	6	2	2
		250,851,835	227,641,217
CREDITORS: Amounts falling due within one year	7	(250,851,833)	(207,641,215)
NET CURRENT ASSETS		2	20,000,002
CREDITORS: Amounts falling due after more than one Year	7	-	(20,000,000)
		2	2
CAPITAL AND RESERVES			
Called up share capital	8	2	2
		2	2

These financial statements were approved by the Board of Directors on 7 July 1998


Signed by D G Penfold for and on behalf
of the Board of Directors this 7th day of July 1998

RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS
For the year ended 31 December 1997

	<u>1997</u>	<u>4 July 1995 to</u> <u>31 December 1996</u>
	<u>£</u>	<u>£</u>
Balance at start of period	2	-
Subscription of share capital	-	2
Balance at 31 December	2	2

NOTES TO THE ACCOUNTS
For the year ended 31 December 1997

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the applicable accounting standards. The Company acts as an employing company for the Deutsche Bank AG Group in the UK. All costs relating to the employment of staff are paid by another Group company. The particular accounting policies are described below.

a) CONVENTION

These financial statements are prepared in accordance with the historical cost convention.

b) TURNOVER

Turnover comprises amounts borne by other Group companies for the services of employees.

c) PENSIONS

The expected cost of pensions is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries with the last formal actuarial valuation carried out at 1 January 1995.

d) CASH FLOW STATEMENT

The Company is exempt from the requirement to prepare a Cash Flow 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. ADMINISTRATIVE EXPENSES

	1997 £	4 July 1995 to 31 December 1996 £
Wages and Salaries	506,165,800	328,323,292
Social Security Costs	41,128,215	39,024,297
Other Pension costs	20,528,592	15,951,968
	<u>567,822,607</u>	<u>383,299,557</u>

The Company commenced its activity as an employer with effect from 1 January 1996 from which date new employees of the Deutsche Bank AG Group in the UK were employed by the Company. Existing employees of the Deutsche Bank AG Group in the UK were transferred to become employees of the Company on 1 April 1996.

	1997	4 July 1995 to 31 December 1996
The average number of employees, including Directors	4,941	3,565

3. DIRECTORS REMUNERATION

The aggregate emoluments of persons who were Directors of the Company during the year ended 31 December, 1997, including pension contributions, was £nil (1996 - £nil)

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1997

4. PENSION COSTS

The total pension costs for the Group were £23,661,000 (1996-£28,555,000) of which £9,495,000 (1996-£13,216,000) related to contributions to the Group's principal funded defined benefit schemes for employees based in the UK, £1,546,000 (1996 - £1,624,000) was paid to other schemes of the defined benefit type in respect of overseas employees, £1,121,000 (1996 - £975,000) was paid into defined contribution schemes for employees based overseas and £380,000 remained payable to the trustees of the schemes at 31 December 1997 (1996 - £6,412,000). £11,119,000 of contributions were made to money purchase schemes in 1997 (1996 - £6,328,000). Formal actuarial valuations of the UK schemes are usually carried out annually by a qualified actuary, the last valuation was 1 January 1997. The regular pension cost is assessed using the projected unit method for both Deutsche Morgan Grenfell (UK) Senior Group Pension Scheme and the Deutsche Morgan Grenfell (UK) Pension Scheme. The principal actuarial assumptions adopted at the last valuation were that, over the long term, the annual rate of return on funds invested would be 9 percent, the increase in annual pensionable remuneration would be 6.5 percent, the annual increase in pension payments would be 4.5 percent and that long term dividend yields would increase by 4.5 percent per annum. The market value of the assets of the schemes at the date of the valuation was £321,800,000. The actuarial value of the assets was sufficient to cover 123 percent and 119 percent respectively of the benefits that had accrued to members. The Employer's contribution rate over the average remaining service lives of the members of the schemes takes account of the surplus disclosed by the valuation.

The Group operates an unfunded post-retirement medical benefits scheme for UK pensioners. The scheme is now closed to new members. The liability is valued by a qualified actuary, the last formal review of the scheme was as at 1 January 1995. The principal actuarial assumptions used in the valuation were a liability discount rate of 9 percent per annum and medical inflation of 15 percent per annum for the first eight years and 7 percent per annum thereafter. At the date of valuation the liability was £7,200,000. The write back for the year was £592,000 (1996 - charge - £311,000) and the provision at 31 December 1997 was £7,302,000 (1996-£7,894,000).

5. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Amounts owed by Group undertakings	250,851,833	227,641,215

6. CASH AT BANK AND IN HAND

Cash at bank represents a balance held with Morgan Grenfell & Co. Limited.

7. CREDITORS

	<u>1997</u> £	<u>1996</u> £
Amounts falling due within one year		
Trade creditors	220,448,698	180,617,970
Other creditors including taxation and social security	30,403,135	27,023,245
	<u>250,851,833</u>	<u>207,641,215</u>
Amounts falling due after more than one year		
Trade Creditors	-	20,000,000

NOTES TO THE ACCOUNTS (continued)
For the year ended 31 December 1997

8. CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Authorised Ordinary Shares of £1 each	1,000	1,000
Allotted and fully paid Ordinary shares of £1 each	2	2

9. ULTIMATE PARENT UNDERTAKING AND OTHER PARENT UNDERTAKINGS

Deutsche Morgan Grenfell Group plc, a company registered in England and Wales, is the Company's immediate controlling equity and the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up.

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

Copies of the group financial statements prepared in respect of Deutsche Morgan Grenfell Group plc may be obtained from the Company Secretary, Deutsche Morgan Grenfell Group plc, 23 Great Winchester Street, London, EC2P 2AX and copies of the group financial statements in respect of Deutsche Bank AG may be obtained from Deutsche Bank AG, London Branch, 6 Bishopsgate, London EC2P 2AT.

10. 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
