

DEUTSCHE ASSET MANAGEMENT LIFE AND PENSIONS LIMITED

Company Number: 3526143

REPORTS AND FINANCIAL STATEMENTS

31 December 2000



REPORT OF THE DIRECTORS

For the year ended 31 December 2000

The Directors submit the Audited Financial Statements for the year ended 31 December 2000.

ACTIVITIES AND REVIEW OF BUSINESS

The Company's principal activity is the transaction of unit-linked group pensions business. The Company's position as at the end of the year is reflected in the audited balance sheet set out on page 8. The Board expects that, subject to market conditions, business will continue to develop during the current financial year. Since the year end no material events have occurred relevant to the Company's business.

The whole of the issued share capital of the Company is owned by Deutsche Asset Management Group Limited (formerly Morgan Grenfell Asset Management Limited), whose ultimate parent undertaking is Deutsche Bank AG.

RESULTS, DIVIDENDS AND TRANSFERS FROM RESERVES

The profit after taxation for the year ended 31 December 2000 was £ 1,326,000 (1999 profit - £98,000) . The Directors recommend that no dividend be paid for the year ended 31 December 2000 (1999 - Nil) and that the profit be transferred to reserves.

REPORT OF THE DIRECTORS

For the year ended 31 December 2000

PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Schedule 1, Part 1 of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 which amended section 255 of, and Schedule 9A to, the Companies Act 1985. These Regulations implemented the European Union Council Directive on the Accounts of Insurance Undertakings. The Company has followed the recommendations of the Association of British Insurers' Statement of Recommended Practice dated December 1998.

DIRECTORS

The Directors of the Company at 31 December 2000, were as follows:

J.H. Webb (Non-executive Chairman)
N.R. Dunford
C.B. Golding
G.V. Hough
D.G. Hargrave (Non-executive Director)
T.D. Kingston (Non-executive Director)
A.D. Morrison
M. Renz (Non-executive Director)

There were no appointments and resignations during the year or subsequent to the year end.

REPORT OF THE DIRECTORS

For the year ended 31 December 2000

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 statement of affairs of the Company and of the profit or loss of the Company for that year. 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

DIRECTORS INTEREST

None of the Directors had an interest in the share capital of the Company during the year or 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 any disclosable interest in shares, or debentures of, any UK group undertaking during the year.

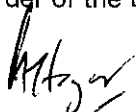
REPORT OF THE DIRECTORS

For the year ended 31 December 2000

AUDITORS

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

By order of the Board of Directors this *30th* day of *March* 2001


P.A. Hogwood
Secretary

One Appold Street
London
EC2A 2UU

AUDITORS' REPORT TO THE MEMBERS OF DEUTSCHE ASSET MANAGEMENT LIFE AND PENSIONS LIMITED

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 2000 and of its profit 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

30 March 2001

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Notes	2000 £000	2000 £000	1999	1999 £000
TECHNICAL ACCOUNT - LONG TERM BUSINESS					
EARNED PREMIUMS, NET OF REINSURANCE					
Gross premiums written	3		3,824,234		472,333
Outward reinsurance premiums			(122,165)		-
Investment income	4	150,206		28,379	
Unrealised gains on investments	4	8,071		100,475	
Other technical income		-		1,082	
			158,277		129,936
<hr/>					
TOTAL TECHNICAL INCOME			3,860,346		602,269
CLAIMS INCURRED					
Claims paid - gross amount			(584,551)		(23,355)
CHANGE IN OTHER TECHNICAL PROVISIONS					
Long term business provision - gross amount		(79)		(14)	
Other technical provisions -					
Technical provisions for linked liabilities		(3,262,349)		(574,077)	
			(3,262,428)		(574,091)
OTHER CHARGES					
Net operating expenses	5	(7,574)		(3,873)	
Investment expense and charges	4	(3,660)		(917)	
Tax attributable to the long term business	8	(874)		(38)	
			(12,108)		(4,828)
<hr/>					
BALANCE ON THE TECHNICAL ACCOUNT - LONG TERM BUSINESS			1,259		(5)

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Notes	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
NON-TECHNICAL ACCOUNT			
BALANCE ON THE LONG TERM BUSINESS TECHNICAL ACCOUNT		1,259	(5)
Tax attributable to the balance on the long-term business technical account		540	-
SHAREHOLDERS PRE TAX PROFIT/(LOSS) FROM LONG TERM BUSINESS		1,799	(5)
Investment income	4	95	149
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		1,894	144
Tax on profit ordinary activities	8	(568)	(46)
PROFIT FOR THE FINANCIAL YEAR		1,326	98
Dividends		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,326	98
RETAINED LOSS BROUGHT FORWARD		(24)	(122)
RETAINED PROFIT/(LOSS) CARRIED FORWARD		1,302	(24)

All the amounts above are in respect of continuing operations.

In accordance with the amendment to FRS3 published in June 1999, no note of historical cost profits has been prepared as the Company's only material gains and losses on assets relate to the holding and disposal of investments.

BALANCE SHEET
31 December 2000

ASSETS	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
INVESTMENTS					
Other financial investments	9		9,091		11,111
ASSETS HELD TO COVER LINKED LIABILITIES	10		4,085,692		823,343
DEBTORS					
Debtors arising out of direct insurance operations		20,326		1,476	
Other debtors		4,062	24,388	3,137	4,613
OTHER ASSETS					
Cash at bank and in hand	11		2,204		2,362
PREPAYMENTS AND ACCRUED INCOME					
Accrued interest			10		14
TOTAL ASSETS	12		4,121,385		841,443
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	13		12,500		12,500
Profit and loss account			1,302		(24)
Shareholders' funds – equity interests			13,802		12,476
TECHNICAL PROVISIONS					
Long term business provision	14		238		159
TECHNICAL PROVISION FOR LINKED LIABILITIES	14		4,085,692		823,343
PROVISIONS FOR OTHER RISKS AND CHARGES	15		136		1,520
CREDITORS					
Creditors arising out of direct insurance operations			15,472		3,093
Other creditors including taxation and social security	16		6,045		852
TOTAL LIABILITIES			4,121,385		841,443

These financial statements were approved by the Board of Directors on 30 MARCH 2001
 Signed by A. D. MORRISON for and on behalf of the Board of Directors
 this day of 30 MARCH 2001.



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Profit for the financial year	1,326	98
Total recognised gains and losses relating to the year	1,326	98

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2000

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Balance at 1 January	12,476	12,378
Profit for the year	1,326	98
Balance at 31 December	13,802	12,476

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historic cost accounting rules, modified to include the revaluation of investments and comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 1998.

2. ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been consistently applied.

(a) BASIS OF ACCOUNTING FOR LONG TERM BUSINESS

A modified statutory solvency basis of accounting has been adopted for the Company's long term insurance business

(b) CASH FLOW STATEMENT

A cash flow statement has not been prepared as the Company is a wholly owned subsidiary of Deutsche Morgan Grenfell Group Plc and is therefore exempt from the requirement to prepare such a statement.

(c) PREMIUMS

Premiums and consideration for annuities are accounted for when due for payment.

(d) CLAIMS

Claims are accounted for when due.

(e) INVESTMENTS

(i) INVESTMENT VALUATIONS

Investments held to cover linked long term insurance liabilities are stated at their current value. Other listed securities are included in the balance sheet at their mid market value.

(ii) INVESTMENT INCOME AND EXPENSES

Investment income and expenses include dividends, interest, gains and losses on the realisation of investments and related expenses. Dividends are recorded on the date on which the shares are quoted ex dividend. Interest and expenses are accounted for on an accruals basis.

Policyholder fund investment income and expenses are dealt with through the technical account, whilst shareholder fund investment income and expenses are dealt with through the non-technical account.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

iii) INVESTMENT GAINS

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost.

Unrealised gains and losses on investments represent the difference between the current value of investments at the balance sheet date and their original cost. The movement in unrealised gains and losses includes an adjustment for previously recognised unrealised gains and losses on investments disposed of in the accounting period. Unrealised gains and losses on policyholder fund investments are dealt with through the technical account.

(f) LONG TERM BUSINESS PROVISION

The long term business provision is determined by the Company's Appointed Actuary having due regard to the principles laid down by Council Directive 91/674/EEC.

(g) DEFERRED ACQUISITION COSTS

Acquisition costs which are incurred during a financial year but which relate to a subsequent financial year are deferred to the extent that they are recoverable out of future margins. The rate of amortisation is consistent with a prudent assessment of the expected pattern of the receipt of future margins. The amortisation is over a period no longer than that over which the recovery of the costs is expected.

(h) TAXATION

Tax is charged on all profits and income earned to date, less allowance and relief.

The after tax balance on the long term business technical account transferred to the non-technical account is grossed-up at the effective rate of corporation tax applicable for the period.

(i) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at market rate of exchange ruling at the balance sheet date. Income and expenditure in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transactions or at contracted rates, where such rates exist. These transaction differences are taken to the profit and loss account.

(j) PENSION SCHEMES

Directors of the Company are members of group schemes operated by Deutsche Morgan Grenfell Group plc, details of which are disclosed in the financial statements of that company.

The expected cost of pensions payable under the Group's fully funded defined benefit schemes and other post retirement benefits is charged to the Profit and Loss Account so as to spread this cost over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed annually in accordance with the advice of qualified actuaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

3. SEGMENTAL ANALYSIS

All business is group pensions business written in the United Kingdom	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
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All new business premiums**Premium received :**

Linked contracts – single premium	3,788,631	470,141
Reassurance premiums received	35,603	2,192
	<hr/> 3,824,234 <hr/>	<hr/> 472,333 <hr/>

4. INVESTMENT RETURN SUMMARY

Long term business	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Investment income:		
Income from other investments		
- listed	51,405	13,184
- other	227	170
Gains on the realisation of investment	98,574	15,025
	<hr/> 150,206	<hr/> 28,379
Investment expenses and charges:		
Investment management expenses	(3,660)	(917)
Unrealised gains on investments	8,071	100,475
	<hr/> 154,617	<hr/> 127,937
Net investment return included in the long term business technical account		
Shareholders' funds		
Income from other investments	95	149
	<hr/> 154,712 <hr/>	<hr/> 128,086 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

5. NET OPERATING EXPENSES

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Acquisition costs	243	598
Administration expenses	7,331	3,275
	<u>7,574</u>	<u>3,873</u>

The Company has no employees. Administration and investment management services were provided to the Company throughout the year by other group undertakings.

6 AUDITORS' REMUNERATION

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Audit work	13	15

7 DIRECTORS' EMOLUMENTS

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Directors' emoluments	683,330	489,785
Amounts receivable under long term schemes	124,584	Nil
	<u>807,914</u>	<u>489,785</u>
Company contributions to money purchase schemes	Nil	Nil
Compensation for loss of office	Nil	Nil

During the year, 3 directors received shares under the long-term incentive schemes.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £464,240 (1999 £232,584). The Director is a member of a defined benefit scheme, under which the accrued pension to which the Director would be entitled from normal retirement date if the Director were to retire at the year end, was £14,946 p.a. (1999 £12,187).

Number of directors

	<u>2000</u>	<u>1999</u>
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	Nil	2
Defined benefit schemes	4	6

No directors exercised any share options under long term incentive schemes.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

8.	TAXATION	<u>2000</u>	<u>1999</u>
		<u>£000</u>	<u>£000</u>
	Long term business technical account		
	UK corporation tax on the basis applicable to life assurance companies	1,951	(2)
	Adjustments with respect to prior year	4	(1,650)
	Overseas taxation	<u>303</u>	<u>170</u>
		2,258	(1,482)
	Deferred taxation (see note 15)	<u>(1,384)</u>	<u>1,520</u>
		<u>874</u>	<u>38</u>
	Non-technical account		
	UK corporation tax at 30% (1999: 30.25%)	568	46

9.	OTHER FINANCIAL INVESTMENTS	Current Value	Cost	Current Value	Cost
		<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1999</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Shares and other variable yield securities and units in unit trusts	6,912	6,070	5,044	3,619
	Debt securities	2,179	1,646	1,509	1,083
	Deposits with credit institutions	-	-	4,558	5,355
		<u>9,091</u>	<u>7,716</u>	<u>11,111</u>	<u>10,057</u>
	Included in the above were investments: Listed on recognised Stock Exchange	<u>9,091</u>	<u>7,716</u>	<u>6,553</u>	<u>4,702</u>
10.	ASSETS HELD TO COVER LINKED LIABILITIES	Current Value	Cost	Current Value	Cost
		<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1999</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Assets held to cover linked liabilities	4,085,692	3,976,246	823,343	682,949

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

11.	CASH AT BANK AND IN HAND	2000	1999
		£000	£000
	Balances held with Deutsche Bank AG	2,077	364
	Balances held with other bankers	127	1,998
		<hr/>	<hr/>
		2,204	2,362
		<hr/>	<hr/>

12. ASSETS ATTRIBUTABLE TO THE LONG TERM BUSINESS FUND

Of the total amount of assets shown on page 8 £4,120,447,000 (1999: £836,448,000) is attributable to the long term business fund.

13.	SHARE CAPITAL	2000	1999
		£000	£000
	Authorised:		
	Ordinary shares of £1 each	£50,000	£50,000
	Allotted called up and fully paid		
	Ordinary shares of £1 each	£12,500	£12,500

14. LONG TERM BUSINESS PROVISION

- (1) The unit liability for linked business was calculated by valuing units at mid-market price.
- (2) The non-unit liability of £238,000 (1999: £159,000) for linked business was calculated using a cash flow method. The principal assumptions were as follows:-
- Fixed cost per policy £530 (1999: £500) per annum
 - Inflation of fixed cost of 3% (1999: 3%) per annum
 - Fund growth of 5% (1999: 5%) per annum
 - Valuation rate of interest of 4% (1998: 4%) per annum
 - Ad valorem expenses 0.265% (1999: 0.265%) per annum of funds under management for actively managed funds, and 0.165% (1999: 0.165%) per annum for passively managed funds. These expenses reduce to 0.215% and 0.145% (1999: 0.215% and 0.145%) per annum respectively for funds under management in excess of £500 million. These expenses reduce to 0.19% and 0.125% (1999: 0.19% and 0.125%) per annum respectively for funds under management in excess of £1 billion.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
15. PROVISION FOR OTHER RISKS AND CHARGES		
Deferred taxation – other timing differences	<u>136</u>	<u>1,520</u>
16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Other creditors	299	117
Corporation taxation payable	1,984	44
Amounts owed to parent and fellow subsidiary undertakings	3,762	691
	<u>6,045</u>	<u>852</u>
All creditors are payable within a period of five years		

17. ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

Deutsche Morgan Grenfell Group plc, a company registered in England and Wales, is the Company's immediate controlling entity 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.

Copies of 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; copies of the group financial statements prepared in respect of Deutsche Bank AG may be obtained from Deutsche Bank AG, London Branch, 6 Bishopsgate, London, EC2P 2AT.

18. RELATED PARTY TRANSACTIONS

As permitted by paragraph 3(c) of FRS8, no disclosure is made of transactions with members or associates of the Deutsche Bank AG Group.