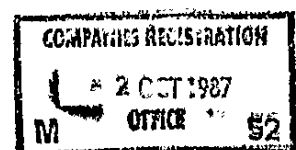


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BTR INDUSTRIAL HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986



BTR INDUSTRIAL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986

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BTR INDUSTRIAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the period ended 31st December 1986.

ACTIVITIES

The principal activities of the company during the year were the design, development, manufacture and sale of surgical and medical products, and the manufacture and sale of hosiery, dust control equipment, filters and pipeline expansion joints. Company development has been satisfactory and is expected to continue to be so.

PROFIT AND APPROPRIATIONS

The profit for the period after taxation was £7,522,000. The directors recommend that £7,500,000 be distributed by way of dividend, leaving £22,000 to be added to reserves.

DIRECTORS

The directors of the company during the period were:

Mr R Walton	
Mr L J Stammers	
Mr H W Laughland	
Mr P Baddiley	Resigned 11th September 1986
Mr D F P Sharrock	
Mr D H Elsey	Appointed 11th September 1986
Mr M J Mills	Appointed 11th September 1986

DIRECTORS' INTERESTS

No director had any beneficial interests in the shares of the company.

Messrs Laughland and Stammers are directors of BTR plc, the ultimate holding company, and their interests in the shares of that company are disclosed in its report and financial statements.

The interests of the other directors in the share capital of BTR plc are set out below.

BTR INDUSTRIAL HOLDINGS LIMITED

DIRECTORS' INTERESTS (continued)

	31 December 1986			28 December 1985		
	Ordinary shares of 25p each	Options under Executive share option scheme	Options under S.A.Y.E. share option scheme	Ordinary shares of 25p each	Options under Executive share option scheme	Options under S.A.Y.E. share option scheme
R Walton	149,199	78,000	2,740	101,466	46,000	3,974
D F P Sharrock	223,000	24,000	3,938	144,700	20,000	5,650
M J Mills	-	54,000	3,092	-	54,000*	1,722*

* On appointment

EMPLOYMENT OF DISABLED PERSONS

It has always been the policy of the company to encourage the employment, training and advancement of disabled persons.

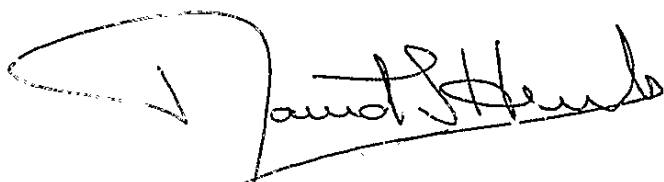
EMPLOYEE INVOLVEMENT

Throughout the company, consultative procedures are in operation to enable management and other employees to discuss matters of mutual interest.

AUDITORS

Messrs Ernst & Whinney have expressed their willingness to continue in office as auditors and in accordance with section 384 of the Companies Act 1985, a resolution proposing their appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



per pro BTR Secretaries Limited
Secretary
Silvertown House
Vincent Square
London
SW1P 2PL

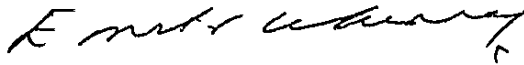
11th March, 1987

BTR INDUSTRIAL HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts set out on pages 4 to 13 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention as explained in note 1 (a).

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st December 1986 and of the profit and source and application of funds for the period then ended and comply with the Companies Act 1985.



Ernst & Whinney,
Chartered Accountants
London.

11th March 1987

BTR INDUSTRIAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST DECEMBER 1986

	<u>NOTES</u>	<u>1986</u> £ 000	<u>1985</u> £ 000
TURNOVER	2	86,996	83,859
NET OPERATING EXPENSES	3	(74,336)	(74,900)
OPERATING PROFIT	2	12,660	8,959
GROUP INTEREST RECEIVABLE		193	262
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,853	9,221
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(5,238)	(35)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,615	9,186
EXTRAORDINARY ITEMS	7	(93)	(112)
PROFIT AFTER TAXATION		7,522	9,074
DIVIDENDS		(7,500)	(9,050)
RETAINED PROFIT		22	24

BALANCE SHEET
AS AT 31ST DECEMBER 1986

Approved *by* the Board on 11 March 1987.

M J Mills

DIRECTORS

BTR INDUSTRIAL HOLDINGS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED 31ST DECEMBER 1986

	<u>1986</u> £ 000	<u>1985</u> £ 000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	12,853	9,221
Extraordinary items	(139)	(147)
Adjustment for items not involving the movement of funds:		
Depreciation	2,033	1,736
Gain on sale of tangible fixed assets	(83)	(79)
Unfunded pension provision	-	26
Other provisions	73	-
	-----	-----
FUNDS GENERATED FROM OPERATIONS	14,737	10,757
FUNDS FROM OTHER SOURCES		
Increase in Share Capital	-	18,284
Increase in amount owed to Thomas Tilling plc	1,544	17,819
Proceeds of sale of tangible fixed assets	335	378
	-----	-----
	16,616	47,238
	-----	-----
APPLICATION OF FUNDS		
Investment	-	(76)
Dividend paid	(9,050)	(40)
Purchase of tangible fixed assets	(3,715)	(8,718)
Taxation Paid	(32)	(54)
	-----	-----
	(12,797)	(8,888)
	-----	-----
NET SOURCE OF FUNDS	3,819	38,350
	=====	=====
NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL		
Stocks	2,148	13,787
Debtors	10,762	40,045
Creditors falling due within one year (excluding taxation and dividends)	(7,808)	(17,369)
	-----	-----
	5,102	36,463
Movement in net liquid funds:		
Cash at bank and in hand	(1,283)	1,887
	-----	-----
INCREASE IN WORKING CAPITAL	3,819	38,350
	=====	=====

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986

1. ACCOUNTING POLICIES

a. Accounting convention

The accounts are prepared under the historical cost convention, modified to include the valuation of certain fixed assets and investments.

b. Bank balances

Bank balances at the balance sheet date are deducted from bank loans and overdrafts where rights of set-off exist.

c. Depreciation

Fixed assets are depreciated over their estimated useful lives at the following annual rates applied to original cost or subsequent valuation.

Plant and Machinery 10 - 35%

d. Stocks and Work in Progress

Stocks and work in progress have been consistently valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods.

Provision is made for obsolete and slow moving items.

e. Deferred taxation

Provision for deferred taxation is made for liabilities which may arise in the foreseeable future.

f. Research and development

Expenditure on research and development is written off in the year in which it is incurred.

g. Foreign currencies

All assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the balance sheet date. All foreign transactions entered into during the year are translated at the rate prevailing at that date.

h. Turnover

Turnover represents the invoiced value of goods supplied by the company excluding sales taxes.

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986

1. ACCOUNTING POLICIES

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BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

2. TURNOVER AND OPERATING PROFIT

	<u>Turnover</u>		<u>Profit</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£ 000	£ 000	£ 000	£ 000
Class of business:				
Industrial	29,459	30,374	5,758	4,095
Consumer Related	57,056	53,082	6,808	4,792
Health Care	481	403	94	72
	-----	-----	-----	-----
	86,996	83,859	12,660	8,959
	=====	=====	=====	=====
Geographic analysis:				
Europe	86,996	83,859	12,660	8,959
	=====	=====	=====	=====

3. OPERATING EXPENSES

	<u>1986</u>	<u>1985</u>
	£ 000	£ 000
Changes in stocks of finished goods and work in progress	(2,239)	(412)
Raw materials	39,194	36,493
Employee costs (see Note 4)	19,290	20,182
Depreciation of tangible fixed assets	2,033	1,736
Group management charges	963	915
Other operating charges	14,561	15,653
Auditors' remuneration (including expenses)	52	56
Operating lease rentals:		
- plant and machinery	151	155
- other	331	122
	-----	-----
	74,336	74,900
	=====	=====

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

4. EMPLOYEES

The average weekly number of persons employed by the company during the period was:

<u>1986</u> number	<u>1985</u> number
2,867 =====	2,913 =====

Staff costs comprised:

	<u>1986</u> £ 000	<u>1985</u> £ 000
Wages and salaries	17,943	17,393
Social security costs	1,270	1,362
Other pension costs	77	1,427
	-----	-----
	19,290 =====	20,182 =====

Pension costs reflect actuarially calculated adjustments in pension funding which are expected to recur for several years.

The number of employees in receipt of emoluments within the ranges:

	<u>1986</u> number	<u>1985</u> number
£30,001 - £35,000	3	3
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-

5. DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments from the Company in 1986 or 1985.

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

4. EMPLOYEES

The average weekly number of persons employed by the company during the period was:

<u>1986</u> number	<u>1985</u> number
2,867	2,913
=====	=====

Staff costs comprised:

	<u>1986</u> £ 000	<u>1985</u> £ 000
Wages and salaries	17,943	17,393
Social security costs	1,270	1,362
Other pension costs	77	1,427
	-----	-----
	19,290	20,182
	=====	=====

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	<u>1986</u> number	<u>1985</u> number
£30,001 - £35,000	3	3
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-

5. DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments from the Company in 1986 or 1985.

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u> £ 000	<u>1985</u> £ 000
UK taxation on the profits for the period:		
Corporation tax at 36.25% (1985 - 41.25%)	4,816	4,060
Group Relief	-	(4,025)
	4,816	35
	422	-
Deferred tax	5,238	35
	=====	=====

7. EXTRAORDINARY ITEMS

	<u>1986</u> £ 000	<u>1985</u> £ 000
Discontinuance of Business, Manufacturing activities curtailed	139	147
Less attributable taxation	(46)	(35)
	93	112
	=====	=====

8. TANGIBLE FIXED ASSETS

	<u>Plant, machinery, motor vehicles and office equipment</u> £ 000
<u>Cost or valuation</u>	
At 28th December 1985	10,144
Additions	3,715
Disposals	(783)
	13,076
At 31st December 1986	=====
<u>Depreciation</u>	
At 28th December 1985	3,408
Charge for the year	2,033
Eliminated on disposals	(531)
	4,910
At 31st December 1986	=====
<u>Net book value</u>	
At 31st December 1986	8,166
	=====
At 28th December 1985	6,736
	=====

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

9. CAPITAL COMMITMENTS	1986 £ 000	1985 £ 000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	478 -----	745 -----
Capital expenditure that has been authorised by the directors but has not yet been contracted for	85 -----	178 -----
10. INVESTMENTS		
The investment represents the cost of shares in a wholly owned subsidiary, Aldington Laboratories Ltd which is incorporated in Great Britain.	76 -----	76 -----
11. STOCKS		
Stocks comprise:		
Raw materials	4,406	3,905
Work in progress	5,628	5,090
Finished goods	5,982	4,873
	-----	-----
	16,016	13,868
	=====	=====
Estimated replacement cost	16,503 =====	14,532 =====
12. DEBTORS		
Trade debtors	12,400	12,919
Amount owed by holding company	31,986	26,619
Amounts owed by fellow subsidiaries	5,729	210
Prepayments and accrued income	967	572
	-----	-----
	51,082	40,320
	=====	=====
Including amounts due over one year	18,824 =====	18,556 =====

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

13. CREDITORS	<u>1986</u> £ 000	<u>1985</u> £ 000
Amounts falling due within one year:		
Bank overdraft	17	-
Trade creditors	9,982	9,854
Amounts owed to fellow subsidiaries	11,041	3,511
Dividends payable	7,500	9,050
Corporation tax	124	138
Other taxation and social security payable	2,439	2,233
Accruals and deferred income	1,781	1,837
	-----	-----
	32,884	26,623
	=====	=====
Amounts falling due after more than one year:		
Corporation tax	4,752	-
Amount owed to Thomas Tilling plc	19,363	17,819
	-----	-----
	24,115	17,819
	=====	=====
14. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1986</u> £ 000	<u>1985</u> £ 000
Deferred taxation	422	-
Unfunded pension provision	26	26
Others	73	-
	-----	-----
	521	26
	=====	=====
15. DEFERRED TAXATION		
There is a potential liability for deferred taxation calculated at the current rate of taxation on the differences between the balance sheet value and the value for taxation purposes as follows:		
	<u>1986</u> £ 000	<u>1985</u> £ 000
Accelerated capital allowances	1,402	1,885
Less: expenditure incurred and provisions made qualifying for relief in succeeding years	(39)	(7)
	-----	-----
	1,363	1,878
	=====	=====

BTR INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1986 (continued)

16. CALLED UP SHARE CAPITAL	<u>1986</u> £	<u>1985</u> £
Authorised, issued and fully paid:		
Ordinary shares of £1 each	18,307,783 =====	18,307,783 =====
17. RESERVES	Revaluation Reserve £ 000	Profit & Loss Account £ 000
At 28th December 1985	56	82
Retained profit for the year	_____	22 _____
At 31st December 1986	56 =====	104 =====
18. CONTINGENT LIABILITIES		
The company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.		
19. ULTIMATE HOLDING COMPANY		
The company's ultimate holding company is BTR plc, a company incorporated in Great Britain.		