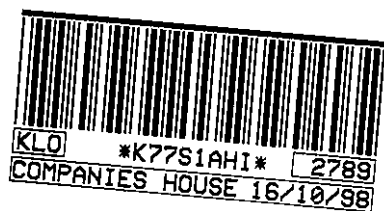


B.T.I. INVESTMENTS
REPORT AND ACCOUNTS
DECEMBER 31, 1997

Company Registration Number : 928440



B.T.I. INVESTMENTS

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B.T.I. INVESTMENTS

DIRECTORS AND ADVISORS

Directors

M H Collins
M A Dunlaevy
D R Evans
A M Graham
B Jefferies
M R Shraga

Company Secretary

I A Pellow

Registered Office

1 Appold Street
Broadgate
London
EC2A 2HE

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Company Registered Number: 928440

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1997.

Results and dividends

The profit for the year, after taxation, amounted to £24,301,173 (1996 - £19,060,667). No dividends were declared or paid during the year (1996 - £5,000,000). The directors do not recommend the payment of any dividends in respect of the year (1996 - £5,000,000). The retained profit for the year was £24,301,173 (1996 - £14,060,667).

Principal activity and future developments

The Company acts as an investment company. The directors do not anticipate any significant changes in the nature of this activity in the future.

Fixed asset investments

During the year, the Company's investment in Stagecoach Holdings Plc was sold. The Company made further investments in European Land (Four Surplus Sites) Limited, Welcome Break Holdings Limited, Charterhouse Capital Partners and Hambros European Ventures pro rata with the other shareholders. The company also invested in Ionica Group Plc and subsequently sold this investment during the year.

Directors and their interests

The directors of the Company during the year were:

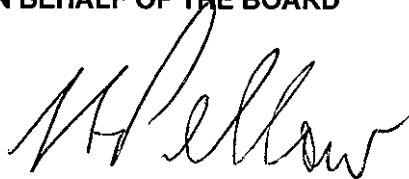
M A Dunlaevy
D R Evans
A M Graham
B Jefferies
K J McGloin (resigned 29 July 1997)
M H Collins (appointed 29 July 1997)
M R Shrager (appointed 29 July 1997)

The Company has received no notification that any of the directors has at any time during the year held any disclosable interest in any shares or debentures of the Company or any other group company.

Auditors

The Company has elected to dispense with the obligation to appoint Auditors annually, and KPMG Audit Plc will be deemed to be reappointed.

ON BEHALF OF THE BOARD



Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the financial statements

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 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 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 AUDITORS
to the Members of BTI Investments**

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the 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 affairs of the Company as at December 31, 1997 and of the profit of the Company 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
London

Date: *14 October 1998*

B.T.I. INVESTMENTS

PROFIT AND LOSS ACCOUNT
for the year ended December 31, 1997

	Notes	1997 £	1996 £
Gain on sale of investments		15,064,395	20,314,136
Income from investments		1,836,337	431,831
Bank interest receivable from fellow subsidiary undertakings		5,270,882	1,160,493
Interest payable to fellow subsidiary undertakings		(14,920)	(49,161)
Amounts written off investments		(284,499)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,872,195	21,857,299
Taxation on profit on ordinary activities	4	2,428,978	(2,796,632)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		24,301,173	19,060,667
Ordinary dividend paid		-	(5,000,000)
RETAINED PROFIT CARRIED FORWARD		<hr/> <u>24,301,173</u> =====	<hr/> <u>14,060,667</u> =====

Profit during the period has arisen from continuing operations.

B.T.I. INVESTMENTS

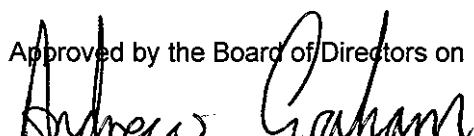
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended December 31, 1997

	1997 £	1996 £
Profit for the year	24,301,173	14,060,667
Revaluation of investments	(530,106)	725,096
Total recognised gains and losses relating to the year	<u>23,771,067</u> =====	<u>14,785,763</u> =====

The notes on pages 9 to 13 form part of these financial statements.

B.T.I. INVESTMENTS**BALANCE SHEET**
at December 31, 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Investments	5	22,868,472	19,717,539
CURRENT ASSETS			
Debtors	6	728,124	869,088
Cash at bank and in hand	7	82,889,923	64,918,209
		<u>83,618,047</u>	<u>65,787,297</u>
CREDITORS: amounts falling due within one year	8	<u>(140,014)</u>	<u>(132,766)</u>
NET CURRENT ASSETS		83,478,033	65,654,531
TOTAL ASSETS LESS CURRENT LIABILITIES		106,346,505	85,372,070
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	-	(2,796,632)
		<u>106,346,505</u>	<u>82,575,438</u>
CAPITAL AND RESERVES			
Called up share capital	10, 11	49,158,243	49,158,243
Share premium account	11	7,921,234	7,921,234
Revaluation reserve	11	194,990	725,096
Profit and loss account	11	49,072,038	24,770,865
Shareholders' funds:			
Equity		57,194,497	33,423,430
Non-equity		49,152,008	49,152,008
SHAREHOLDERS' FUNDS		<u>106,346,505</u>	<u>82,575,438</u>

Approved by the Board of Directors on 14th October 1998.

 Director

The notes on pages 9 to 13 form part of these financial statements.

NOTES TO THE ACCOUNTS
at December 31, 1997

1 Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention except for investments in the equity capital of related undertakings, and in accordance with applicable accounting standards.

Valuation of fixed asset investments

Investments in the equity capital of related undertakings are revalued to reflect current net asset values. In the situation where an undertaking's liabilities exceed its assets, the Company carries the investment at zero. Any surplus/deficit on revaluation and any deficit which is deemed to be temporary is taken to the revaluation reserve.

All other investments, including investments in the non-equity capital of related undertakings, are valued at cost less amounts provided for any permanent diminution in value.

Format of accounts

Group accounts have not been prepared by virtue of section 228 of the Companies Act 1985 whereby a company is exempt from the preparation of group accounts if it is a wholly owned subsidiary undertaking and its immediate parent undertaking is established under the law of a member state of the European Community. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company does not produce a cash flow statement by virtue of an exemption contained in FRS 1 (Revised 1996). The Company's ultimate parent company, Bankers Trust Corporation ("BTCorp"), presents a cash flow statement in its Annual Report.

The Company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties which are part of the Bankers Trust Corporation worldwide group.

Both of the exemptions above also rely on BTCorp's consolidated accounts being publicly available (see Note 12).

Foreign currency

Transactions in currencies other than sterling are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than sterling are translated at the rates of exchange at the balance sheet date. Gains and losses on translation are taken to the profit and loss account, except for those arising from the re-translation of the assets and liabilities of an overseas branch, or subsidiary undertaking, which are taken to reserves.

Deferred taxation

Deferred taxation is provided on all timing differences using the liability method except where such timing differences are not expected to crystallise in the foreseeable future. The provision is calculated at the rate at which it is estimated that the tax will be payable.

2 Auditors' remuneration

The remuneration of the auditors is borne by a fellow subsidiary undertaking.

3 Directors' emoluments

No directors' emoluments were paid during the period.

NOTES TO THE ACCOUNTS
at December 31, 1997

4	Taxation	1997 £	1996 £
	Based on the profit for the year:		
	UK Corporation tax at 31 ½% / 33%	-	-
	Tax credit on UK dividend income	367,654	-
	Deferred taxation (see Note 9)	(2,796,632)	2,796,632
		<u>(2,428,978)</u>	<u>2,796,632</u>
		=====	=====

No provision has been made for corporation tax due to tax losses in other group companies which are available for group relief.

5	Investments	1997 £	1996 £
	Unlisted investments:		
	At January 1	19,717,539	22,406,362
	Additions	25,531,720	6,805,058
	Disposals	(21,156,182)	(10,218,977)
	Transfer of loans to subsidiary undertaking	(410,000)	-
	Revaluation of Britannia Ltd	(909,595)	635,096
	Revaluation of Giftbeat Ltd	104,990	90,000
	Revaluation of Metis	(10,000)	-
	At December 31	<u>22,868,472</u>	<u>19,717,539</u>
		=====	=====

During the year, the Company increased its investment in Charterhouse Capital Partners pro rata with the other shareholders. The Company also invested in 168 ordinary shares in European Land (Four Surplus Sites) Limited, including a shareholder loan of £6,000,000, and invested in 80,000 ordinary shares in Welcome Break Holdings Limited.

During the year the Company disposed of its 2,217,633 share in Stagecoach Holdings Plc, and acquired and disposed of 3,636,364 shares in Ionica Group Plc.

Details of the Investments which principally affect the assets of the Company and in which the Company holds more than 10% of the nominal value of any class of share capital are as follows:

Name of company	Country of registration and operation	Proportion of voting rights and shares held	Nature of business
Britannia Ltd	England and Wales	100%	Holding Company
Giftbeat Ltd	England and Wales	100%	Investment Company
Metis Properties Ltd	England and Wales	100%	Property Investment Company
Novoquote Ltd	England and Wales	100%	Property Investment Company

The directors are of the opinion that the aggregate value of the investments is not less than the amount at which they are stated in the financial statements.

B.T.I. INVESTMENTS**NOTES TO THE ACCOUNTS**
at December 31, 1997

6	Debtors	1997 £	1996 £
	Loan to parent undertaking	-	576,706
	Accrued interest receivable from fellow subsidiary undertaking	368,377	290,895
	Loan to fellow subsidiary undertaking	358,260	-
	Corporation tax recoverable	1,487	1,487
		<u>728,124</u>	<u>869,088</u>
		=====	=====

7	Cash at bank and in hand		
	Cash held with fellow subsidiary undertakings	82,889,923	64,918,209
		=====	=====

8	Creditors: amounts falling due within one year	1997 £	1996 £
	Overdraft with fellow subsidiary undertakings	105,418	97,131
	Trade creditors	-	298
	Amounts payable to fellow subsidiary undertakings	34,533	34,533
	Other creditors	63	804
		<u>140,014</u>	<u>132,766</u>
		=====	=====

9 Deferred taxation

The movements in deferred taxation during the current and previous years are as follows:

	1997 £	1996 £
At January 1	2,769,632	-
Charge for the year	(2,769,632)	2,769,632
At December 31	<u>-</u>	<u>2,769,632</u>
	=====	=====

B.T.I. INVESTMENTS

NOTES TO THE ACCOUNTS at December 31, 1997

10	Called up share capital	1997 No	1997 £	1996 No	1996 £
	Authorised:				
	Ordinary 'A' class shares of £1 each	10,000	10,000	10,000	10,000
	Ordinary 'B' class shares of £1 each	49,990,000	49,990,000	49,990,000	49,990,000
		<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
		=====	=====	=====	=====
	Allotted, called up and fully paid:				
	Ordinary 'A' class shares of £1 each	6,235	6,235	6,235	6,235
	Ordinary 'B' class shares of £1 each	49,152,008	49,152,008	49,152,008	49,152,008
		<u>49,158,243</u>	<u>49,158,243</u>	<u>49,158,243</u>	<u>49,158,243</u>
		=====	=====	=====	=====

The 'A' class shares have voting rights, pay a dividend at the discretion of the directors, are not redeemable and are subordinate in priority to the 'B' class shares in a winding up. The 'B' class shares are non-voting and the rights of the shares to receive payments out of the assets available for distribution is limited to the aggregate of the nominal value of such 'B' class shares and the premium (if any) paid. The 'B' class shares have no other right in the assets of the company.

11 Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At January 1, 1997	49,158,243	7,921,234	725,096	24,770,865	82,575,438
Profit for the year	-	-	-	24,301,173	24,301,173
Revaluation of investments	-	-	(530,106)	-	(530,106)
At December 31, 1997	<u>49,158,243</u>	<u>7,921,234</u>	<u>194,990</u>	<u>49,072,038</u>	<u>106,346,505</u>
	=====	=====	=====	=====	=====

12 Ultimate parent company

The Company is wholly owned by BTCorp, which is the parent company for which financial statements are prepared. BTCorp is incorporated in the US and listed on the New York Stock Exchange. Copies of the group financial statements of BTCorp can be obtained on application to the Company.

The Company's ultimate parent company within the EU and the parent of the smallest group for which group financial statements are prepared is Bankers Trust Holdings (U.K.) Limited, which is registered in England and Wales.

Copies of the group financial statements of Bankers Trust Holdings (U.K.) Limited can be obtained on application to the Company.