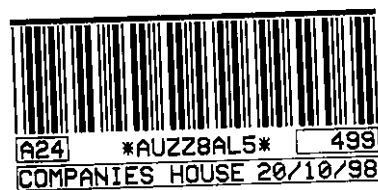


BTR INTERNATIONAL LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997
REGISTERED NO: 965046



BTR INTERNATIONAL LIMITED
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BTR INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £481,987,000 (1996 - £419,861,000). The Directors recommend a dividend amounting to £497,880,000 (1996 - £448,401,000), which leaves a loss of £15,893,000 (1996 - £28,540,000) to be retained.

REVIEW OF THE BUSINESS

The Company's principal activity during the year continued to be that of a holding company within the BTR Group.

As part of a reorganisation of various European companies, shares in BTR Finance BV had been issued to other BTR Group companies in various share for share exchanges. These shares in BTR Finance BV were subsequently purchased by the Company for consideration of £101 million. The Company further purchased BTR Finance BV shares in a share for share exchange with another BTR Group company to the amount of £33 million.

Company development has been satisfactory and is expected to continue to be so.

POST BALANCE SHEET EVENTS

On 27 February 1998 the Company disposed of its interest in BTR Dunlop Limited for £4.3 million to a third party.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

R C Brown	(resigned 31 December 1997)
C R Burns	
P H M Buysse	(resigned 5 January 1998)
B E Crowther	
K A O'Donovan	
P J Robinson	(resigned 30 April 1998)
I C Strachan	
J D Thom	
J S Thompson	
D J Stevens	(appointed 31 December 1997)

No Director had any interest in the shares of the Company. C R Burns, K A O'Donovan, I C Strachan and J S Thompson are also Directors of BTR plc, the ultimate parent undertaking, and their interests in the shares of that company are disclosed in its accounts.

The interests of the other Directors in the ordinary shares of BTR plc were:

	31 December 1997				1 January 1997*			
	Listed	Warrants	Share Option Schemes Senior Executive	SAYE	Listed	Warrants	Share Option Schemes Senior Executive	SAYE
B E Crowther	40,191	839	206,665	13,118	33,212	2,105	206,665	7,764
P J Robinson	-	-	70,000	7,246	-	-	70,000	4,837
J D Thom	355	60	75,500	9,950	355	390	75,500	10,101
D J Stevens	-	-	125,000	5,186	-	-	125,000	5,186

*Or at date of appointment, whichever is later.

BTR INTERNATIONAL LIMITED
DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued)

Share options related to the ordinary shares of BTR plc granted to and exercised by, the other Directors of BTR International Limited during 1997, were as follows:

	Exercised	Granted
As part of the SAYE scheme:		
B E Crowther	3,821	9,175
P J Robinson	-	2,409
J D Thom	3,821	3,670

LONG TERM INCENTIVE PLAN ("LTIP")

Details of awards of shares in BTR plc granted under LTIP to Directors during the year are set out below:

	1997 Ordinary shares
B E Crowther	47,895
P J Robinson	77,958
J D Thom	17,000

D J Stevens was awarded 68,250 shares in BTR plc granted under LTIP prior to his appointment as Director of BTR International Limited. This award was unchanged as at 31 December 1997.

These awards will vest subject to satisfaction of certain performance criteria. Full details of these criteria are disclosed in the accounts of BTR plc, the ultimate parent undertaking of BTR International Limited.

No Director was interested during or at the end of the year in any contract which was significant in relation to the Company's business.

AUDITORS

In accordance with s386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 30 August 1991. Accordingly Ernst & Young shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the Board.



Per pro BTR Secretaries Limited, Secretary

BTR House
Carlisle Place
London
SW1P 1BX

25 September 1998,

BTR INTERNATIONAL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts 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 accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 enable them to ensure that the accounts 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.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF BTR INTERNATIONAL LIMITED**

We have audited the accounts on page 6 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of Directors and auditors

As described on page 4, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

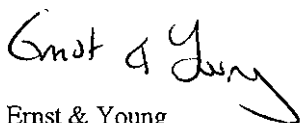
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

London

13 October 1998

BTR INTERNATIONAL LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
(Loss)/ profit on sale of fixed asset investments		(196)	1,082
Other income		-	17,804
		<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(196)	18,886
Income from shares in group undertakings		482,437	436,118
Interest receivable and similar income	4	2,788	6,753
Interest payable and similar charges	5	-	(886)
Amounts written off investments	8	(365)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		484,664	460,871
Taxation	6	(2,677)	(41,010)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		481,987	419,861
Dividends	7	(497,880)	(448,401)
		<hr/>	<hr/>
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(15,893)	(28,540)
		<hr/>	<hr/>

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

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the financial year of £481,987,000 in the year ended 31 December 1997 and £419,861,000 in the year ended 31 December 1996.

BTR INTERNATIONAL LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
FIXED ASSETS			
Investments	8	3,510,171	3,374,663
CURRENT ASSETS			
Debtors - amounts falling due within one year	9	1,068,359	692,035
CREDITORS: Amounts falling due within one year	10	(579,822)	(491,418)
NET CURRENT ASSETS		488,537	200,617
TOTAL ASSETS LESS CURRENT LIABILITIES		3,998,708	3,575,280
CREDITORS: Amounts falling due after more than one year	11	(1,087,650)	(631,250)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(3,930)	(21,009)
		2,907,128	2,923,021
CAPITAL AND RESERVES			
Called up share capital	13	670	670
Share premium account	14	2,905,933	2,905,933
Profit and loss account	14	525	16,418
		2,907,128	2,923,021

Approved by the Board on



JD Thom
Director

25 September 1998

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

BTR INTERNATIONAL LIMITED
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
PROFIT FOR THE FINANCIAL YEAR		481,987	419,861
Dividends	7	(497,880)	(448,401)
		<hr/>	<hr/>
NET REDUCTION FROM SHAREHOLDERS' FUNDS		(15,893)	(28,540)
Opening shareholders' funds		2,923,021	2,951,561
		<hr/>	<hr/>
Closing shareholders' funds		2,907,128	2,923,021
		<hr/>	<hr/>

BTR INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards. Where changes in presentation have been made, comparatives have been adjusted accordingly.

Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the year end. Exchange differences arising from the retranslation of foreign currency denominated assets and liabilities together with other exchange differences arising in the year are included in the profit and loss account.

Investments

The investments in subsidiary undertakings, associated undertakings and other investments are included at cost less amounts written off and provisions for permanent diminution in value.

Taxation

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

2. DIRECTORS' REMUNERATION

None of the Directors received any emoluments from the Company during the year (1996 - £Nil).

3. EMPLOYEES

No persons were employed by the Company during the year (1996 - Nil).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1997</u> £'000	<u>1996</u> £'000
Interest receivable from group undertakings	-	6,753
Foreign exchange gain	2,788	-
	<hr/> 2,788	<hr/> 6,753

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1997</u> £'000	<u>1996</u> £'000
Foreign exchange loss	-	886
	<hr/>	<hr/>

BTR INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)****6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<u>1997</u> £'000	<u>1996</u> £'000
Corporation tax at 31.49% (1996 - 33%)	177,159	122,634
Less: Double tax relief	(170,210)	(104,686)
	<hr/>	<hr/>
Overseas tax	6,949	17,948
Deferred tax	14,381	13,636
	(17,079)	12,531
	<hr/>	<hr/>
Adjustments in respect of prior years	4,251	44,115
	(1,574)	(3,105)
	<hr/>	<hr/>
	2,677	41,010
	<hr/>	<hr/>

7. DIVIDENDS

	<u>1997</u> £'000	<u>1996</u> £'000
Final proposed of £743.10 per share (1996 - £669.26)	497,880	448,401
	<hr/>	<hr/>

8. INVESTMENTS

	<u>Shares in</u> <u>Subsidiary</u> <u>Undertakings</u> £'000	<u>Shares in</u> <u>Associated</u> <u>Undertakings</u> £'000	<u>Other</u> <u>Investments</u> £'000	<u>Total</u> £'000
Cost				
At 1 January 1997	3,374,618	4	41	3,374,663
Additions	136,968	-	-	136,968
Disposals	(1,054)	-	(41)	(1,095)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	3,510,532	4	-	3,510,536
	<hr/>	<hr/>	<hr/>	<hr/>
Provision				
At 1 January 1997	-	-	-	-
Provided during the year	(365)	-	-	(365)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	(365)	-	-	(365)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 January 1997	3,374,618	4	41	3,374,663
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	3,510,167	4	-	3,510,171
	<hr/>	<hr/>	<hr/>	<hr/>

BTR INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)****8. INVESTMENTS (Continued)**

As part of a reorganisation of various European companies, shares in BTR Finance BV had been issued to other BTR Group companies in various share for share exchanges. These shares in BTR Finance BV were subsequently purchased by the Company for consideration of £101 million. The Company further purchased BTR Finance BV shares in a share for share exchange with another BTR Group company to the amount of £33 million.

	<u>1997</u> £'000	<u>1996</u> £'000
Other investments		
Unlisted investments	-	41
Valuation		
Directors' valuation of unlisted investments	-	41

Details of the Company's principal subsidiary and associated undertakings are as follows:

Name of company	Country of registration, incorporation and operation	Holding	Proportion held	Nature of business
Subsidiary undertakings				
BTR Australia Ltd*	Australia	Ordinary Shares	100%	Holding
BTR Dunlop Finance Inc*	USA	Ordinary Shares	100%	Financial Services
BTR Dunlop Holdings (Delaware) Inc*	USA	Ordinary Shares	100%	Holding
BTR Nylex Ltd	Australia	Ordinary Shares	100%	Holding
Rexnord Marbett Spa*	Italy	Ordinary Shares	100%	Holding
Rexnord (UK) Limited*	England & Wales	Ordinary Shares	100%	Distribution

* Held directly by BTR
International Ltd

Associated undertakings

Novatuft BV	Netherlands	Ordinary Shares	30%	Doormat Manufacturers
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Group accounts have not been prepared because the Company is a wholly owned subsidiary of BTR plc, a company registered in England & Wales. As a result, the financial statements present information about the Company as an individual undertaking and not about its group. In the opinion of the Directors the value of the Company's investments in its subsidiary and associated undertakings is not less than the amount at which they are stated in the balance sheet.

BTR INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)**

9. DEBTORS	<u>1997</u>	<u>1996</u>
Amounts falling due within one year	£'000	£'000
Amounts due from parent and fellow subsidiary undertakings	543,577	259,213
Amounts due from subsidiary undertakings	524,782	432,822
	<hr/>	<hr/>
	1,068,359	692,035
	<hr/>	<hr/>

10. CREDITORS: Amounts falling due within one year	<u>1997</u>	<u>1996</u>
	£'000	£'000
Amounts due to parent and fellow subsidiary undertakings	48,897	14,000
Amounts due to subsidiary undertakings	7,667	331
Current corporation tax	25,378	28,686
Proposed dividend	497,880	448,401
	<hr/>	<hr/>
	579,822	491,418
	<hr/>	<hr/>

11. CREDITORS: Amounts falling due after more than one year	<u>1997</u>	<u>1996</u>
	£'000	£'000
Amounts due to parent and fellow subsidiary undertakings	1,087,650	631,250
	<hr/>	<hr/>

12. DEFERRED TAXATION	<u>Provided</u>	
	<u>1997</u>	<u>1996</u>
	£'000	£'000
Other timing differences	3,930	21,009
	<hr/>	<hr/>

Deferred tax is fully provided.

13. CALLED UP SHARE CAPITAL	<u>Authorised</u>		<u>Allotted, Called-up and Fully Paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£'000	£'000	£'000	£'000
700,000 ordinary shares of £1 each	700	700	-	-
670,001 ordinary shares of £1 each	-	-	670	670
	<hr/>	<hr/>	<hr/>	<hr/>

BTR INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)****14. RESERVES**

	<u>Share Premium</u> <u>Account</u> £'000	<u>Profit and Loss</u> <u>Account</u> £'000
At 1 January 1997	2,905,933	16,418
Retained loss for the financial year	-	(15,893)
	<hr/>	<hr/>
At 31 December 1997	2,905,933	525
	<hr/>	<hr/>

15. CONTINGENT LIABILITIES

The Company has guaranteed the borrowings of Pilkington's Tiles SA (Pty) Limited with First National Bank of Southern Africa Limited.

The Company has cross guarantee arrangements guaranteeing the bank overdraft of certain other BTR companies.

In accordance with the provisions contained in the Value Added Tax Act 1983, the Company has entered into a joint and several guarantee for group registrations.

The Company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

16. POST BALANCE SHEET EVENT

On 27 February 1998 the Company disposed of its interest in BTR Dunlop Limited for £4.3 million to a third party.

17. CASH FLOW STATEMENT

As the Company is a wholly owned subsidiary undertaking of BTR plc, a company registered in England and Wales, which prepares a consolidated cash flow statement, the Company has taken advantage of the exemption provided under the scope of FRS 1 (Revised 1997) not to prepare a cash flow statement.

18. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary undertaking of BTR plc, a company registered in England and Wales, which prepares published consolidated financial statements, the Company has pursuant to paragraph 17 of FRS 8 "Related Party Disclosures" not included details of transactions with other companies which are subsidiaries of the BTR Group. There are no other related party transactions.

Disclosure of the Directors' interests in the shares of the Company and BTR plc is made in the Directors' Report.

19. IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking of BTR International Limited is BTR plc.

20. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of BTR International Limited is BTR plc, a company registered in England and Wales. Copies of the group accounts of BTR plc, the parent undertaking of the only group preparing group accounts which include BTR International Limited, can be obtained from the Company Secretarial Department, BTR plc, BTR House, Carlisle Place, London SW1P 1BX.