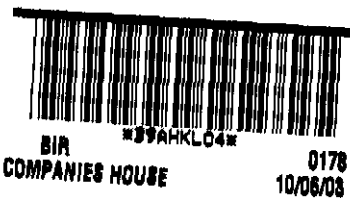


SMITHS WOLVERHAMPTON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JULY 2002

Registered in England and Wales, number 293428



SMITHS WOLVERHAMPTON LTD
A member of the Smiths Group

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 July 2002.

Principal Activities, Business Review and Future Developments.

The principal activities of the Company are the design and manufacture of mechanical and hydraulic flying controls for aircraft, industrial and marine hydraulic systems and fabrications.

The results of the year are set out in the profit and loss account on page 7. The Directors propose a dividend of £1,828,000 (2001: £1,779,000).

During the year the Company made charitable donations of £1,989 (2001: £1,319).

Directors and their Interests

The following were Directors of the Company during the year:

Mr J R Edwards (resigned 10 May 2002)
 Mr P Richards
 Mr G M Norris

No director has any beneficial interests in the shares of the Company.

The beneficial interests of the Directors holding office at the year end in the shares and options of the ultimate holding Company at the start (or date of appointment if later) and end of the year were as follows: -

	<u>Ordinary shares</u>			<u>Smiths Group Ordinary shares under option</u>		
	<u>31 Jul</u> <u>2002</u>	<u>1 Aug</u> <u>2001</u>	<u>1 Aug</u> <u>2001</u>	<u>Options</u> <u>granted</u>	<u>Options</u> <u>exercised</u>	<u>31 Jul</u> <u>2002</u>
	Smiths Group	Smiths Group				
Mr G M Norris	31,777	27,797	50,970	29,483	-	80,453
Mr P Richards	-	-	385	412	-	797

Options granted since 1 January 2001 were granted under The Smiths Industries 1995 Executive Share Option Scheme and The Smiths Industries 1982 SAYE Share Option Scheme.

Options granted prior to 1 January 2001 were TI Group plc share options, which were originally granted under the TI Group (1990) Executive Share Option Scheme, the TI Group 1999 Executive Share Option Scheme, and the TI (1981) Savings-Related Share Option Scheme. These were converted to equivalent Smiths Group plc options on 4 June 2001 at rates dependent on the nature of the options held.

Further information regarding share options is contained in the annual report of Smiths Group plc.

Employment Policies

The Directors continue to use the management and supervisory channels in the Company for disseminating information and gaining involvement of the whole workforce. Formal briefing/discussion groups have continued meeting on a regular monthly basis involving all parts of the Company. Company information is provided regularly on turnover, orders and profitability as well as more detailed information applicable only to each group.

DIRECTORS' REPORT (CONTINUED)

Employment Policies(continued)

The Company continues to have an Employee Council to assist the close co-operation of management and employees in the operation of the Company.

The Company operates a suggestion scheme.

During the year the Company has continued its policy of providing employment to disabled persons and persons becoming disabled during their employment with the Company. Subject to the availability of employment suitable to the disability of the individuals concerned, disabled employees are not discriminated against for any purposes, including training, career development and promotion.

Payment Policy

The Company's ultimate parent undertaking, Smiths Group plc, is a registered supporter of the Confederation of British Industry's (CBI) Prompt Payers Code of Good Practice, copies of which are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

It is the Company's policy to agree terms of settlement with its suppliers, which are appropriate for the markets in which they operate, and to abide by such terms where suppliers have also met their obligations.

The average number of days credit taken in the year to 31 July 2002 was 57 days (2001: 62 days)

Research and Development.

The Company has a continuing commitment to a strategy of market leadership through investment in customer-based applied technology. The Company maintains self-sufficiency in applied technology geared to new product development and world-class manufacturing practice.

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 as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 July 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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.

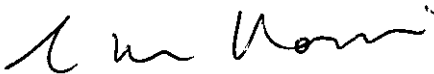
SMITHS WOLVERHAMPTON LTD
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DIRECTORS' REPORT (CONTINUED)

Auditors

Following conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board



G M Norris
DIRECTOR
4 June 2003

Independent auditors' report to the members of Smiths Wolverhampton Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of the directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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 at 31 July 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
4 June 2003

STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared under the historical cost convention and comply with applicable accounting standards.

A cashflow statement has not been prepared as the Company has taken advantage of the exemption under Financial Reporting Standard 1 ('FRS1'), which relates to wholly owned subsidiaries. Its cashflows for the year are included in the financial statements of its ultimate parent Company, see note 18.

The Company has adopted FRS19 'Deferred tax' in these financial statements. Although the adoption of this new standard represents a change in accounting policy, there was no effect on the comparative figures.

The principal accounting policies, all of which have been consistently applied, except for the adoption of FRS19, are set out below:

(b) Turnover

Turnover represents the amounts receivable in the ordinary course of business for goods sold and services provided after deducting sales taxes.

(c) Foreign Currencies

Profit and loss account items are translated at an average exchange rate, and assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the period end or, where appropriate, at the rate in a related foreign currency futures contract. Profits and losses on the exchange of foreign currencies are included in operating profit.

(d) Research and Development

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

(e) Depreciation

Depreciation of fixed tangible assets is on a straight line basis mainly at the rates shown below:

Freehold land	Nil
Freehold buildings	2% per annum
Leasehold with term less than 50 years	Term of lease
Plant, machinery and equipment	Between 8% and 20% per annum
Data processing installations equipment & software	33 1/3% per annum
Tooling and test rigs	10% - 20% per annum

(f) Deferred Taxation

All tax liabilities, both current and future, have been assumed by Smiths Group plc. The Company does not therefore have any potential or actual deferred taxation.

(g) Retirement Benefits

Contributions to the TI Group Pension Scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating TI Group companies. Costs are not determined for each individual Company, hence contributions are charged to the profit and loss account in the period in respect of which they become payable.

(h) Repairs and Renewals

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(i) Stocks

Stocks and work in progress are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, less payments on account.

Long Term contract work in progress is shown at cost, including attributable overheads, plus attributable profit where this can be assessed with reasonable certainty, less payments on account and provision for losses. Turnover is calculated as *that proportion of total contract value which costs to date bear to total expected costs for that contract.*

(j) Leased Assets

Fixed assets acquired under finance leasing contracts are recorded in the balance sheet as fixed tangible assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the finance charge is charged to the profit and loss account over the primary lease period. The costs of operating leases are charged to the profit and loss account as they arise.

SMITHS WOLVERHAMPTON LTD
A member of the Smiths Group

PROFIT AND LOSS ACCOUNT

		2002	(7 months) 2001
		£'000	£'000
Notes			
1	TURNOVER	43,752	34,770
2	Costs less other income	(41,141)	(32,541)
	OPERATING PROFIT	2,611	2,229
4	Interest	-	313
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,611	2,542
5	Tax on profit on ordinary activities	(783)	(763)
14	PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR	1,828	1,779
7	Dividends	(1,828)	(1,779)
14	RESULT FOR THE FINANCIAL YEAR	-	-

There have been no recognised gains or losses in either year other than those reflected in the profit and loss account shown above.

There is no difference between the results above and those on an unmodified historic cost basis.

All profits arose from continuing activities.

SMITHS WOLVERHAMPTON LTD
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BALANCE SHEET

<u>Notes</u>	31 JULY 2002		31 JULY 2001	
	£'000	£'000	£'000	£'000
	FIXED ASSETS			
8	Tangible assets	10,146		10,037
	CURRENT ASSETS			
9	Stocks	6,063		9,958
10	Debtors	10,500		12,287
	Cash at bank and in hand	12,045		8,364
		28,608		30,609
11	CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	(21,733)		(23,508)
	NET CURRENT ASSETS	6,875		7,101
	TOTAL ASSETS LESS CURRENT LIABILITIES	17,021		17,138
12	PROVISION FOR LIABILITIES AND CHARGES	(1,085)		(1,202)
	NET ASSETS	15,936		15,936
	CAPITAL AND RESERVES			
13	Called up equity share capital	15,500		15,500
14	Share premium account	22		22
14	Revaluation reserve	414		414
14	Profit and loss account	-		-
14	TOTAL EQUITY SHAREHOLDERS' FUNDS	15,936		15,936

The financial statements on pages 5 to 15 were approved by the Board on 4 June 2003 and signed on its behalf by:



G M Norris
Director

SMITHS WOLVERHAMPTON LTDA member of the Smiths GroupNOTES TO THE FINANCIAL STATEMENTS1. TURNOVER

The geographical analysis of turnover by destination is as follows:-

	2002			2001 (7 months)		
	Sales to fellow subsidiaries	External Sales	Total	Sales to fellow subsidiaries	External sales	Total
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	2,509	12,220	14,729	-	9,101	9,101
North America	12	7,127	7,139	-	5,024	5,024
Continental Europe	-	20,235	20,235	-	10,037	10,037
Rest of World	48	1,601	1,649	-	10,608	10,608
Total turnover	2,569	41,183	43,752	-	34,770	34,770

Turnover by origination arises wholly in the United Kingdom from the Company's single class of business.

2. COSTS LESS OTHER INCOME

	2002	2001 (7 months)
	£'000	£'000
Change in stocks of work in progress	(3,761)	1,732
Raw materials and consumables	22,620	15,080
Other external charges	3,947	5,223
Staff costs (see note 6)	16,910	9,683
Depreciation of tangible fixed assets - owned	1,425	823
	41,141	32,541

3. OPERATING PROFIT

	2002	2001 (7 months)
	£'000	£'000
Operating Profit is stated after charging:		
Research and development expenditure	1,572	2,436
Operating lease rentals:		
Hire of plant and machinery	213	67
Auditors' remuneration	24	24

4. INTEREST

	2002	2001 (7 months)
	£'000	£'000
Interest receivable	-	315
Interest payable on:		
Overdrafts and other short term borrowings	-	(2)
	-	313

SMITHS WOLVERHAMPTON LTD
A member of the Smiths Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION

	2002 £'000	2001 (7 months) £'000
Taxation for the year is arrived at as follows:		
UK Corporation tax at 30.00% (2001: 30.00%) on profits for the year	783	763
Total charge for year	783	763

Smiths Group plc have assumed responsibility for current and future taxation liabilities.

6. EMPLOYEE INFORMATION

	2002 £'000	2001 (7 months) £'000
Staff costs:		
Wages and salaries	13,838	8,291
Social security costs	943	697
Pension costs	1,160	463
Redundancy	969	232
	16,910	9,683

The average monthly number of persons employed by the Company during the year was as follows:

	Number	Number
UK	459	495
Overseas	-	-
	459	495

The staff costs shown above include emoluments, including contributions to pension schemes, in respect of Directors;

	2002 £'000	2001 (7 months) £'000
Total Directors emoluments	75	37

Mr J R Edwards and Mr G M Norris did not receive any emoluments in respect of their services as Directors of the Company.

One director was entitled to defined benefit pension arrangements (2001: one director). The interests of the Directors in options in shares and shares of Smiths Group plc, the ultimate holding Company are shown on page 1.

7. DIVIDENDS

	2002 £'000	2001 (7 months) £'000
Dividends - proposed (2.948p per share (2001: 2.869p per share))	1,828	1,779

SMITHS WOLVERHAMPTON LTD

A member of the Smiths Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TANGIBLE FIXED ASSETS	£'000 Land and Buildings	£'000 Plant and Equipment	£'000 Tooling & Test Rigs	£'000 Total
COST OR VALUATION				
At 1 August 2001	3,593	17,294	4,454	25,341
Additions	124	1,296	93	1,513
Assets transferred from other group companies	-	28	-	28
Disposals	-	(242)	-	(242)
At 31 July 2002	3,717	18,376	4,547	26,640
DEPRECIATION				
At 1 August 2001	531	10,952	3,821	15,304
Charge for the year	98	1,027	300	1,425
Accumulated depreciation on assets transferred from other group companies	-	7	-	7
Disposals	-	(242)	-	(242)
At 31 July 2002	629	11,744	4,121	16,494
NET BOOK VALUE				
At 31 July 2002	3,088	6,632	426	10,146
At 31 July 2001	3,062	6,342	633	10,037
Leased assets included above comprise:				
Cost	-	1,295	-	1,295
Depreciation	-	(1,295)	-	(1,295)
Net Book Value	-	-	-	-

	2002 £'000	2001 £'000
(a) Fixed assets are included at full historical cost to the Company except land and buildings which were held at 31st March 1991, which are included at their existing open market valuation at that date. In accordance with the transitional provisions of FRS15, a policy of revaluation has not been adopted and the valuation will not be updated. The valuation was carried out by Chartered Surveyors in the UK and was as follows:		
Freehold	2,167	2,167

Land and buildings includes £1,515,000 (2001: £1,515,000) in respect of land on which no depreciation is provided.

- (b) The 1991 revaluation represents the earliest reliable record of the cost of these assets, which is available without unreasonable expense or delay.
- (c) Accumulated depreciation includes amounts provided by fellow Group undertakings prior to acquisition from those companies.

The amount of capital expenditure contracted but not provided for at 31 July 2002 was £Nil (31 July 2001 £Nil).

SMITHS WOLVERHAMPTON LTD
A member of the Smiths Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2002 £'000	2001 £'000
9. <u>STOCKS</u>		
Stocks comprise:		
Raw materials and consumables	686	820
Work in progress	6,899	9,246
	7,585	10,066
Less payments on account	(1,522)	(108)
	6,063	9,958

	2002 £'000	2001 £'000
10. <u>DEBTORS</u>		
Amounts due within one year:		
Trade debtors	8,191	11,765
Amounts recoverable on contracts	127	-
Amounts owed by Group undertakings	1,331	114
Other debtors	125	41
Prepayments and accrued income	726	367
	10,500	12,287

	2002 £'000	2001 £'000
11. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>		
Bank Overdraft	264	269
Trade creditors	4,268	6,405
Payments received on account	6,516	7,728
Amounts owed to Group undertakings	6,253	5,081
Other taxation and social security	387	356
Dividend proposed	1,828	1,779
Accruals and deferred income	2,217	1,890
	21,733	23,508

SMITHS WOLVERHAMPTON LTD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

	Warranty	Reorganisatio n	Total
	£'000	£'000	£'000
12. PROVISIONS FOR LIABILITIES AND CHARGES			
At 1 August 2001	1,123	79	1,202
Charge to Profit & Loss Account	414	-	414
Provision Utilised	(483)	(48)	(531)
At 31 July 2002	1,054	31	1,085

Warranty provisions will be utilised within the next 5 years and the reorganisation provision will be utilised within the next 12 months.

	2002 £'000	2001 £'000
13. EQUITY SHARE CAPITAL		
Authorised, called up and fully paid: 62,000,000 Ordinary shares of 25p each	15,500	15,500

	Share Premium Account £'000	Revaluation Reserve £'000	Profit and loss Account £'000	Total £'000
14. RESERVES				
At 1 August 2001	22	414	-	436
Profit after taxation for the financial year	-	-	1,828	1,828
Dividend	-	-	(1,828)	(1,828)
At 31 July 2002	22	414	-	436

The movement in equity shareholders' funds is as follows:

	2002 £'000	2001 (7 months) £'000
Equity shareholders' funds at the start of the period	15,936	15,936
Profit after taxation for the financial year	1,828	1,779
Dividend	(1,828)	(1,779)
Equity shareholders' funds at the end of period	15,936	15,936

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. CONTINGENT LIABILITIES

(a) The Company had contingent liabilities, in respect of bank and other guarantees and other matters arising in the ordinary course of the business, from which it is anticipated that no material liabilities will arise.

(b) At 31 July 2002, there were contingent liabilities for:

Terminable indemnities £1,794,000 (2001: £646,000)

16. COMMITMENTS

At 31 July 2002, there were annual commitments under non-cancellable operating leases, which expire as follows: -

	2002 Vehicles £'000	2001 Vehicles £'000
In respect of leases expiring:		
Within 1 year	7	87
Between 2 and 5 years inclusive	9	35
	<u>16</u>	<u>122</u>

17. PENSION ARRANGEMENTS

The Company participates in the TI Group Pension Scheme. This scheme is of the defined benefit type providing benefits to certain employees within the Smiths Group and the assets are held separately from the Group's assets. The latest actuarial valuation of the scheme was carried out by independent actuaries as at 5th April 2001. Details of this valuation and the additional disclosures required by FRS 17 are contained in the financial statements of Smiths Group plc. The total pension cost for the Company was £1,160,000 (2001 £463,000 for 7 months).

18. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Dowty Group plc. The ultimate parent undertaking is Smiths Group plc. Both undertakings are registered in England.

The only accounts in which the results of the Company are consolidated are those of Smiths Group plc. Copies of the Smiths Group plc annual report are available from its registered office, 765 Finchley Road, London NW11.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of Smiths Group plc. As explained in note 18 the Company is controlled by Smiths Group plc.