

The Davall Gear Company Limited
(Registered Number 362087)

Directors' Report And Accounts

For The Year Ended 31 December 2000



The Davall Gear Company Limited

Report of the Directors

The Directors have pleasure in submitting their report together with the audited accounts for the year to 31 December 2000.

Review Of The Business

On 2 August 2000 the trade and assets of the company were sold to Illinois Tool Works Corp (ITW). The Directors do not expect the company to continue trading.

On 4 December 2000 the Company's ultimate parent company, TI Group plc, merged under a Scheme of Arrangement with Smiths Industries plc to form Smiths Group plc.

Results

The Company's result for the year was a loss after taxation of £150K (1999: Profit £242K). The Directors do not propose the payment of a dividend (1999: £242K) and the retained loss has been transferred to reserves.

Directors

The Directors who served during the year were:

Mr G A Watts
Mr J R Edwards
Mr G M Norris

Directors' Interests

The beneficial interests of the directors and their families on 31 December 2000 in Smiths Group plc shares and TI Group plc share options were as follows:

	Ordinary Shares		TI Group Ordinary Shares Under Option			
	Smiths Group plc 31 Dec 2000	TI Group plc 31 Dec 1999	31 Dec 2000	Exercised	Granted	31 Dec 1999
J R Edwards	87,593	111,646	472,549	-	120,000	352,549
G M Norris	52,797	10,000	85,872	-	35,000	50,872

Further information on the share options may be found in the annual report of TI Group plc.

Payment Policy

It is company's payment policy to negotiate terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

The Davall Gear Company Limited

Report of the Directors (continued)

Fixed Assets

The changes in fixed assets during the year are summarised in note 9 to the accounts.

Political and Charitable Contributions

No charitable or political donations were made during the year.


Euro

The Company has in place systems and procedures whereby it can purchase, sell and account in a variety of currencies. No problems or material costs were incurred in the changeover to the Euro.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'D A Penn', followed by a long horizontal line extending to the right.

D A Penn

Secretary

Date: 30 March 2001

The Davall Gear Company Limited

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 and of the profit of the company for the 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; and
- 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 of fraud and other irregularities.

The Davall Gear Company Limited

Report of the Auditors to the Members of the Davall Gear Company Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities Of Directors And Auditors

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 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.

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 at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

30 March 2001

The Davall Gear Company Limited

Profit and Loss Account for the Year Ended 31 December 2000

	<i>Note</i>	2000 £'000's	1999 £'000's
Turnover	2	2,829	5,491
Cost of sales		(2,323)	(4,469)
Gross profit		506	1,022
Distribution and selling costs		(243)	(468)
Administrative expenses		(119)	(318)
Operating profit	3	144	236
Loss on disposal of assets	4	(200)	-
Interest (net)	7	(54)	(22)
(Loss)/profit on ordinary activities before taxation		(110)	214
Before exceptional items		90	214
Exceptional items		(200)	-
Taxation	8	(40)	28
(Loss)/profit on ordinary activities after taxation		(150)	242
Dividends		-	242
Retained loss for the year	17	(150)	-

The notes on pages 8 to 15 form part of these accounts.

All turnover and results arose from discontinued activities, the company having sold its trade and assets on 2 August 2000.

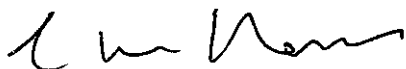
There are no recognised gains and losses other than the profit or loss for the period.

The Davall Gear Company Limited

Balance Sheet at 31 December 2000

	<i>Note</i>	2000 £'000's	1999 £'000's
Fixed assets			
Tangible assets	9	-	2,837
Current assets			
Stock	11	-	752
Debtors	12	390	1,373
Cash at bank and in hand		1,263	1
		1,653	2,126
Creditors - amounts falling due within one year	13	(1,057)	(2,444)
Net current assets/(liabilities)		596	(318)
Total assets less current liabilities		596	2,519
Creditors - amounts falling due after more than one year	14	-	(1,819)
Provisions for liabilities and charges	15	(165)	(119)
		431	581
Capital and reserves			
Called up share capital	16	309	309
Profit and loss account	18	122	272
Equity shareholders' capital		431	581

The accounts were approved by the Board of Directors on 30 March 2001.



G M Norris

Director

The notes on pages 8 to 15 form part of these accounts.

The Davall Gear Company Limited

Notes To The Accounts

1 Principle Accounting Policies

The following accounting policies which are in accordance with applicable accounting standards have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Basis Of Accounting

The accounts have been prepared under the historical cost convention.

(b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Land and Building	2%
Plant and machinery	7.5% to 33.3% per annum

(c) Stocks And Work-In-Progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes works overheads where applicable.

(d) Research And Development

Research and development expenditure is written off against profit in the year in which the expenditure arises.

(e) Deferred Taxation

Deferred taxation is provided at the future rate of taxation using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

(f) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used. All realised differences are taken to the Profit and Loss account and unrealised differences on forward contracts are taken to the Balance Sheet.

(g) Cash Flow Statement

The company has not produced a cash flow statement as it is a wholly owned subsidiary of TI Group plc, whose accounts include a consolidated Cash Flow Statement, in accordance with paragraph 5a of Financial Reporting Standard 1 (Revised 1996).

The Davall Gear Company Limited

Notes To The Accounts (continued)

1 Accounting Policies (Continued)

(h) Operating Leases

Rental charges are charged to the Profit and Loss account in the period in which they are incurred.

(i) Finance Leases

The capital value of finance leases are included in Fixed Assets and depreciated in accordance with the Company's accounting policies. Interest charges are charged to the Profit and Loss account in the period in which they are incurred.

(j) Pension

Employer's pensions contributions are set by the Pension Scheme trustees and charged to the Profit and Loss account in the period in which they are incurred.

2 Turnover

Turnover represents invoiced sales during the year exclusive of Value Added Tax.

The geographical analysis of turnover by destination is as follows:

	2000 £'000's	1999 £'000's
United Kingdom	2,620	4,838
Asia, Far East and Australia	7	100
North, South & Central America	117	384
Europe	85	168
Middle East	-	1
	2,829	5,491

3 Operating Profit

Operating profit is stated after charging the following items:

	2000 £'000's	1999 £'000's
Auditors' remuneration - audit	9	14
Depreciation	142	248
Operating lease charges	27	33
Research and development expenditure	1	7

The Davall Gear Company Limited

Notes To The Accounts (continued)

4 Exceptional Item

The exceptional charge of £200K represents the difference between the proceeds realised from the disposal of the net assets of the company on 2 August 2000 and their book value.

5 Directors' Emoluments

	2000 £'000's	1999 £'000's
For service as directors	37	122

The Company contributes to a defined benefit pension scheme for one of the directors (1999 one).

6 Staff Costs

The average weekly number of employees, including directors, during the year was as follows:

	2000 Number	1999 Number
Sales, administration and distribution	9	17
Manufacturing	50	97
	59	114

The aggregate payroll costs of these persons were as follows:

	2000 £'000's	1999 £'000's
Wages and salaries	1,250	2,248
Social security costs	97	163
Other pension costs	74	109
	1,421	2,520

7 Interest

	2000 £'000's	1999 £'000's
Hire purchase loans	11	19
Bank interest	43	4
	54	23

The Davall Gear Company Limited

Notes To The Accounts (continued)

8 Taxation On Profit On Ordinary Activities

	2000 £'000's	1999 £'000's
Based on the profit for the year:		
Corporation tax at 30% (1999: 30.25%)	(40)	(32)
Deferred taxation	-	61
Taxation relating to prior years:		
Corporation tax	-	(1)
	(40)	28

9 Tangible Assets

	Land & Buildings	Plant & machinery	Total £'000's
Cost			
At 1 January 2000	1,750	4,902	6,652
Disposals	(1,750)	(4,902)	(6,652)
At 31 December 2000	NIL	NIL	NIL
Depreciation			
At 1 January 2000	96	3,719	3,815
Charge for year	-	142	142
Disposals	(96)	(3,861)	(3,957)
At 31 December 2000	NIL	NIL	NIL
Net book value			
At 31 December 2000	NIL	NIL	NIL
At 31 December 1999	1,654	1,183	2,837

	2000 £'000's	1999 £'000's
NBV of assets subject to mortgage loans	-	288
NBV of assets subject to lease arrangements	-	58

The Davall Gear Company Limited

Notes To The Accounts (continued)

10 Commitments

Capital commitments at 31st December 2000 for which no provision has been made in these accounts, were as follows:

	2000 £'000's	1999 £'000's
Authorised but not contracted	-	4

11 Stocks

	2000 £'000's	1999 £'000's
Raw materials	-	227
Work in progress	-	303
Finished goods	-	222
	-	752

12 Debtors

	2000 £'000's	1999 £'000's
Amounts falling due within one year:		
Trade debtors	-	1,239
Amounts owed by other group undertakings	-	64
Other debtors	365	7
Prepayments and accrued income	25	63
	390	1,373

13 Creditors: Amounts Falling Due Within One Year

	2000 £'000's	1999 £'000's
Bank overdraft	-	308
Mortgage loan	-	90
Finance lease	-	7
Trade creditors	-	404
Corporation tax	71	31
Other taxation and social security	-	69
Dividends payable	605	605
Other creditors	-	12
Accruals and deferred income	-	362
Amounts owed to group undertakings	381	556
	1,057	2,444

The Davall Gear Company Limited

Notes To The Accounts (continued)

14 Creditors: Amounts Falling Due After More Than One Year

	2000 £'000's	1999 £'000's
Mortgage loan:		
Repayable between 1 and 2 years	-	82
Amounts owed to group company	-	1,737
	-	1,819

15 Provision For Liabilities And Charges

	Warranty provision £'000's	Property dilapidations provision £'000's	Total provisions £'000's
At 1 st January 2000	119	-	119
Charged to profit and loss account in year	-	165	165
Disposals	(119)	-	(119)
At 31 st December 2000	-	165	165

The Deferred taxation provision may be analysed as follows:

	Provided		Unprovided	
	2000 £'000's	1999 £'000's	2000 £'000's	1999 £'000's
Accelerated capital allowances	-	-	-	49
Other timing differences	-	-	-	(9)
	-	-	-	40

16 Share Capital

	No	Authorised £	Allocated, called up and fully paid No	£'000's
Ordinary shares of £1 each	1,000,000	1,000,000	308,619	309

The Davall Gear Company Limited

Notes To The Accounts (continued)

17 Reconciliation of Movements in Shareholders' Funds

	2000 £'000's	1999 £'000's
(Loss)/profit for the financial year	(150)	242
Dividends	-	(242)
Opening shareholders' funds	581	581
Closing shareholders' funds	431	581

18 Reserves

	Profit and loss £'000's
At 1 January 2000	272
Retained loss for the year	(150)
At 31 December 2000	122

19 Operating Leases

The commitments which fall to be paid in the following year under non-cancellable operating leases for plant and machinery are:

	2000 £'000's	1999 £'000's
Operating lease expiry:		
Within one year	-	8
Between 2 and 5 years	-	21
	-	29

The Davall Gear Company Limited

Notes To The Accounts (continued)

20 Pensions

The Company participates in the EIS Group PLC pension scheme, providing benefits on final pensionable pay. Full details of this scheme are disclosed in the accounts of EIS Group PLC.

The pension charge for the period was £74,000 (1999: £108,747) and has been determined over the average remaining service lives of the employees.

21 Related Party Disclosure

The company is a wholly owned subsidiary of Smiths Group plc. In accordance with Paragraph 3(c) of FRS 8, "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the Smiths Group.

22 Ultimate Holding Company

The ultimate parent undertaking is Smiths Group plc which was formed on 4 December 2000 following a merger of Smiths Industries plc and TI Group plc. All three companies are registered in England and Wales. Copies of the accounts of Smiths Group plc can be obtained from the company's registered office at 765 Finchley Road, London NW11 8DS.