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Company No. 362487

PORTEX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JULY 2002



Portex Limited

**Annual report and financial statements
For the year ended 31 July 2002**

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PORTEX LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2002

DIRECTORS:

N.A. Bracey	Resigned 16/08/02
D.A.R. Broad	Resigned 10/03/03
A.D. Dunsmore	
C.J. Eaton	
A.J. Gooding	Resigned 31/10/01
N.D. Green	Resigned 31/01/02
M.C. Jamieson	
L.H.N. Kinet	
S.M. Ogilvie	
J.C. Russell	
M.J. Speakman	Appointed 10/03/03
R.E. Trawicki	Appointed 09/04/02

L.H.N. Kinet is also a Director of the ultimate parent company Smiths Group plc. His emoluments are borne by Smiths Group plc and are disclosed in its Annual Report and financial statements.

The Directors, D.A.R. Broad and R.E. Trawicki are also employees of the ultimate parent company Smiths Group plc or other group undertakings, and in some cases are Directors of other group undertakings. However the Directors do not believe it is possible to meaningfully allocate these emoluments between their respective duties. These Directors do not receive any emoluments from the Company (2001: £nil).

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31 July 2002.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company continues to be the manufacture of surgical and medical plastic products in the UK. Turnover has decreased to £83,454,000 (2001 : £84,072,000) during the year. The Urology/Ostomy business has been sold during the financial year on 3rd May 2002.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £16,750,000 (2001: £15,615,000). The retained profit for the year of £1,748,000 (2001: £(47,661,000)) has been transferred to reserves. The Directors have paid an Ordinary Dividend of £15,000,000 and provided a Preference Dividend of £2,000 (2001: Preference Dividend of £63,276,000) but do not recommend the payment of a Final Dividend.

FIXED ASSETS

The changes in tangible fixed assets are detailed in note 8 to the accounts.

PORTEX LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

FUTURE DEVELOPMENTS

The Company will pursue its existing activities and continue to seek business opportunities to ensure the future profitability of the Company.

EMPLOYEES

The maintenance of a highly skilled workforce is key to the future of the Company. The Directors regularly review health and safety matters and it is their policy to ensure that:

1. full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
2. when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same or, by training, in an alternative job;
3. disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of their financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the newsletters and monthly briefing groups.

DIRECTORS' INTERESTS

The interests of Directors of the Company and their immediate families at 31 July 2002 in the share capital of Smiths Group plc at the beginning and end of the year were as follows:

PORTEX LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

	Ordinary shares of 25p	
	<u>1 August 2001</u>	<u>31 July 2002</u>
D.A.R. Broad	2,737	6,094
A.D. Dunsmore	897	NIL
C.J. Eaton	NIL	NIL
R. E. Trawicki	NIL	NIL
M.C. Jamieson	5,304	13,494
L.H. Kinet	NIL	NIL
S.M. Ogilvie	NIL	NIL
J.C. Russell	NIL	NIL

Options have been granted over the number of ordinary shares of Smiths Group plc to the Directors and their immediate families, in the amounts shown below, under the terms of The Smiths Group 1982 SAYE Scheme, Executive Share Option Scheme, and The Deferred Share Scheme.

	<u>1 August 2001</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>31 July 2002</u>
D.A. Broad	43,111	29,151	-	-	72,262
A.D. Dunsmore	16,573	12,500	-	-	29,073
C.J. Eaton	19,220	12,500	-	-	31,720
R. E. Trawicki	-	25,500	-	-	25,500
M.C. Jamieson	53,863	28,826	10,631	-	72,058
L.H. Kinet	137,334	76,923	-	-	214,257
S.M. Ogilvie	15,178	7,807	-	-	22,985
J.C. Russell	9,729	7,500	-	-	17,229

Details of The Smiths Group plc 1982 SAYE Scheme, Executive Share Option Scheme and The Deferred Share Option Scheme are contained in the report and accounts of Smiths Group plc.

PORTEX LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

POLICY ON PAYMENT OF CREDITORS

The Company's policy is to pay creditors promptly in accordance with agreed terms of business. The total amount of creditors falling due within one year as at 31 July 2002 represents 38 days (37 days 2001) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

RESEARCH AND DEVELOPMENT

The Company is currently undertaking research and development into new products and technologies which will expand and extend its current product ranges, or improve existing product within these ranges.

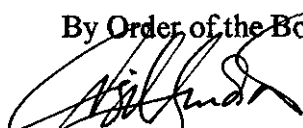
DONATIONS

During the year, the Company made charitable donations of £326,000 (2001: £354,000). There were no political donations (2001: £nil).

AUDITORS

Following the 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



Neil Burdett

Secretary

23rd May 2003

London

PORTEX LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the Company's state of affairs at the end of the period and of its profit or loss 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 the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF PORTEX LIMITED

Independent auditors' report to the members of Portex Limited

We have audited the financial statements on pages 7 to 18, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' Report and Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the company's members 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 Directors' Report and Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

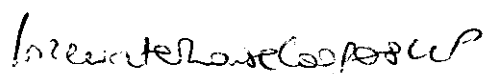
Basis of audit opinion

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 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 as 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

Chartered Accountants and Registered Auditors

23rd May 2003

PORTEX LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2002

	Notes	<u>2002</u> £'000	<u>2001</u> £'000
TURNOVER			
Continuing operations	2	77,412	74,668
Discontinued operations	2	<u>6,042</u>	<u>9,404</u>
		<u>83,454</u>	<u>84,072</u>
Cost of Sales		(53,237)	(51,777)
GROSS PROFIT		<u>30,217</u>	<u>32,295</u>
Distribution costs		(3,888)	(3,510)
Administrative expenses		(5,344)	(6,981)
OPERATING PROFIT			
Continuing operations	3	19,848	19,979
Discontinued operations	3	<u>1,137</u>	<u>1,825</u>
		<u>20,985</u>	<u>21,804</u>
Profit on disposal of business	5	2,428	-
PROFIT BEFORE INTEREST		<u>23,413</u>	<u>21,804</u>
Interest receivable		238	336
Foreign exchange gains/(losses)		165	(24)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>23,816</u>	<u>22,116</u>
Tax on profit on ordinary activities	6	(7,066)	(6,501)
PROFIT FOR THE FINANCIAL YEAR		<u>16,750</u>	<u>15,615</u>
Dividends - Equity	7	(15,000)	-
- Non Equity		(2)	(63,276)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>1,748</u>	<u>(47,661)</u>

The Company has no recognised gains or losses other than the profit for the financial year above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 18 form part of these financial statements.

PORTEX LIMITED
BALANCE SHEET
AS AT 31 JULY 2002

	<u>Notes</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	8	14,687	15,004
Investments	9	468	-
		15,155	15,004
CURRENT ASSETS			
Stocks	10	17,276	16,682
Debtors	11	54,536	57,297
Cash at bank and in hand		47	51
		71,859	74,030
CREDITORS: amounts falling due within one year	12	(8,621)	(9,447)
NET CURRENT ASSETS		63,238	64,583
TOTAL ASSETS LESS CURRENT LIABILITIES		78,393	79,587
CREDITORS: amounts falling due after more than one year			
Amounts owed to Group undertakings		-	(1,543)
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	(1,400)
NET ASSETS		78,393	76,644
CAPITAL AND RESERVES			
Called up share capital	14	68	67
Share premium account	15	63,276	63,276
Profit and loss account	15	15,049	13,301
TOTAL SHAREHOLDERS' FUNDS	16	78,393	76,644
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		15,095	13,344
Non-equity		63,298	63,300
		78,393	76,644

The financial statements on pages 7 to 18 were approved by the Board on 23rd May 2003 and signed on its behalf by:

)
A D Dinsmore) Director

The notes on pages 9 to 18 form part of these financial statements.

PORTEX LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2002

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with all applicable accounting standards.

b) Changes in Accounting Policies

During the year the Company has adopted, in the financial statements, Financial Reporting Standard (FRS) 17 'Retirement benefits' and FRS 19 'Deferred tax', as issued by the Accounting Standards Board in 2000. The adoption of these new standards has not resulted in any financial effect on the results contained within the financial statements for the year ended 31 July 2002.

FRS 18 has been adopted in the current year but this did not require any change in accounting policy. Financial Reporting Standard 18 – "Accounting Policies" has been adopted for these financial statements. The Directors have reviewed the accounting policies adopted by the Company, and have confirmed that they are the most appropriate to the particular circumstances of the Company. There is no change to previously reported numbers as a result of the adoption of this Standard.

c) Depreciation

Depreciation is provided on all relevant assets in use at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight line basis, as follows:

Plant and machinery	- over 10 years
Motor vehicles	- over 4 years
Fixtures, fittings, tools, equipment and vehicles	- over 2 to 10 years

d) Research and Development

Research and development expenditure, other than that recoverable from third parties, is written off as incurred.

e) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a "first in, first out" basis and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

f) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, or if hedged forward at the contract rate. Exchange differences arising in the ordinary course of business are included in trading profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date, or at contracted rates where hedging arrangements are in place.

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

g) Pension Costs

The cost of providing retirement pensions for employees charged in the profit and loss account represents the amounts paid by the Company to Smiths Group plc in the financial year.

h) Operating Leases

Operating lease rentals are charged to the Profit and Loss Account during the period in which they are incurred.

i) Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Smiths Group plc and is included in the consolidated financial statements of Smiths Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Smiths Group plc or investees of Smiths Group plc.

j) Taxation

The settlement of all current and future tax liabilities has been assumed by Smiths Group plc. The tax on profit on ordinary activities represents the tax paid to Smiths Group plc in respect of the profit on ordinary activities before tax for the current year.

k) Investments

Investments are included at cost less amounts written off.

2. TURNOVER

Turnover, which comprises a single class of activity, represents the net amount invoiced to customers less trade discounts, excluding value added tax and sales of fixed assets. The analysis of turnover by geographical area is as follows:

	<u>2002</u> £'000	<u>2001</u> £'000
U.K.	22,189	23,976
Overseas	61,265	60,096
	<hr/>	<hr/>
TOTAL	83,454	84,072
	<hr/>	<hr/>

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

COST OF SALES

Cost of sales represents the expenditure incurred in bringing goods and services to the location and to the condition in which a sale could take place, including all related production overheads.

3. OPERATING PROFIT

	<u>2002</u> £'000			<u>2001</u> £'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Turnover	77,412	6,042	83,454	74,668	9,404	84,072
Cost of Sales	(48,806)	(4,431)	(53,237)	(44,950)	(6,827)	(51,777)
Gross Profit	28,606	1,611	30,217	29,718	2,577	32,295
Distribution costs	(3,491)	(397)	(3,888)	(2,880)	(630)	(3,510)
Administration costs	(5,267)	(77)	(5,344)	(6,859)	(122)	(6,981)
Operating Profit	<u>19,848</u>	<u>1,137</u>	<u>20,985</u>	<u>19,979</u>	<u>1,825</u>	<u>21,804</u>

Operating profit is stated after charging:	<u>2002</u> £'000	<u>2001</u> £'000
Staff Costs (See note 4)	21,162	21,629
Depreciation on owned Tangible Fixed Assets	3,187	3,180
Amortization of Intangible Assets	-	91
Operating Leases		
- Land and buildings	239	276
Emoluments of Directors (Note 4)	818	628
Auditors' remuneration - Audit services	38	33
- Non Audit services	-	33
Research and development expenditure	2,221	1,835
Loss on disposal of business	-	28
Reorganisation provision	-	1,400

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

	<u>2002</u> £'000	<u>2001</u> £'000
Employee costs during the year were:		
Wages and salaries	18,445	18,912
Social Security Costs	1,429	1,398
Pension Costs	1,288	1,319
	<u>21,162</u>	<u>21,629</u>

Highest paid director	198	150
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Pension accrued to highest paid director	29	22
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The highest paid director has exercised share options in the financial year.

Aggregate emoluments of directors serving in the year	<u>818</u>	<u>628</u>
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No. of directors accruing benefits under a defined benefit Pension Scheme	5	6
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No. of directors exercised share options	<u>1</u>	<u>5</u>
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The average number of employees during the year including executive directors were:

Manufacturing	546	606
Administration	<u>520</u>	<u>538</u>

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

5. PROFIT ON DISPOSAL OF BUSINESS

	<u>2002</u> <u>£'000</u>
Proceeds from sale of Urology/Ostomy Business to Mentor Medical Limited	6,135
Assets transferred	3,707
Profit on Sale	<u>2,428</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
United Kingdom current tax		
UK corporation tax charge at 30% (2001: 30%)	<u>7,066</u>	<u>6,501</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom (30%). The difference is explained below:-

Profit on ordinary activities before taxation	23,816	22,116
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	7,145	6,635
Effects of: Group Relief	(79)	(134)
Current tax charge for the period	<u>7,066</u>	<u>6,501</u>

7. DIVIDENDS

A single Ordinary Dividend of £15,000,000 has been paid to equity shareholders and a Preference Dividend of £2,000 has been provided for (2001 – Preference Dividend of £63,276,000 paid to non-equity shareholders).

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

8. TANGIBLE ASSETS

	<u>Plant and machinery</u> £'000	<u>Fixtures, fittings, tools, equipment and vehicles</u> £'000	<u>Total</u> £'000
Cost			
1 August 2001	13,989	26,344	40,333
Additions	2,239	2,094	4,333
Disposals	(3,199)	(3,365)	(6,564)
31 July 2002	<u>13,029</u>	<u>25,073</u>	<u>38,102</u>
Depreciation			
1 August 2001	9,141	16,188	25,329
Charge for period	916	2,271	3,187
Disposals	(2,556)	(2,545)	(5,101)
31 July 2002	<u>7,501</u>	<u>15,914</u>	<u>23,415</u>
Net Book Value			
31 July 2002	<u>5,528</u>	<u>9,159</u>	<u>14,687</u>
31 July 2001	<u>4,848</u>	<u>10,156</u>	<u>15,004</u>

9. INVESTMENTS

Other Investments

1 August 2001	-
Additions	<u>468</u>
31 July 2002	<u>468</u>

The Other Investment represents a convertible distribution licence for which the option to convert expires on 22nd April 2005.

The Investment is shown at cost.

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

10. STOCKS

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Raw materials and consumables	4,471	4,651
Work in progress	1,147	1,336
Finished goods and goods for resale	11,658	10,695
	<u>17,276</u>	<u>16,682</u>

11. DEBTORS

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	14,829	15,489
Amounts owed by group undertakings	37,207	40,272
Other debtors and prepayments	2,500	1,536
	<u>54,536</u>	<u>57,297</u>

On 20th June 1995 the Company granted an interest bearing loan facility to Flexible Ducting Limited, an agent of Smiths Industries Industrial Group Limited and a fellow subsidiary of Smiths Group plc. EUR 10,671,000 was taken up on 22nd June 1995 for a 6 month period and subsequently rolled forward. The value of the loan included in Amounts owed by group undertakings is

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Loan converted at date of draw down	8,932	8,932
Gain/(Loss) on exchange at year end conversion Rate	(2,221)	(2,378)
	<u>6,711</u>	<u>6,554</u>

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

12. CREDITORS: amounts falling due within one year

	<u>2002</u> £'000	<u>2001</u> £'000
Trade creditors	4,312	4,169
Amounts owed to group undertakings	2,355	3,378
Taxes and social security costs	661	717
Other creditors	593	364
Accruals and deferred income	700	819
	<u>8,621</u>	<u>9,447</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation Provision £'000
At 1 August 2001	1,400
Charged to the profit and loss account	-
Utilised during the year	<u>(1,400)</u>
At 31 July 2002	<u>-</u>

14. CALLED UP SHARE CAPITAL

	<u>2002</u> £'000	<u>2001</u> £'000
Authorised 50,000 ordinary shares of £1 each	50	50
	<u> </u>	<u> </u>
Allotted and fully paid 43,215 ordinary shares of £1 each	43	43
20,000 7% preference shares of €2 each	25	24
	<u>68</u>	<u>67</u>

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

The 7% cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 7% per annum payable annually in arrears on or before 30 September. The shares have no redemption entitlement. On winding up the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have the same voting rights as the other classes of shares.

15. RESERVES

	Share premium account £'000	Profit & loss account £'000
At 1 August 2001	63,276	13,301
Retained Profit for the financial year	-	1,748
At 31 July 2002	<u>63,276</u>	<u>15,049</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u> £'000	<u>2001</u> £'000
Profit for the financial year	16,750	15,615
Dividends	(15,002)	(63,276)
	1,748	(47,661)
Rate of Exchange on Euro Preference Shares	1	-
Net proceeds from preference share issue	-	<u>63,300</u>
Net addition/reduction to shareholders' funds	1,749	15,639
Opening shareholders' funds	<u>76,644</u>	<u>61,005</u>
Closing shareholders' funds	<u>78,393</u>	<u>76,644</u>

17. PENSIONS

The Company's employees are members of various defined benefit pension schemes which cover the United Kingdom employees of Smiths Group plc. Contributions to these schemes are based upon advice received from independent actuaries taking account of the costs of each relevant scheme as a whole. The information required in FRS 17 is disclosed for the group as a whole in the consolidated accounts of Smiths Group plc.

PORTEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly will account for its contributions to the scheme as if it were a defined contribution scheme on adoption of FRS 17 in the 2003 financial statements. The transitional disclosures otherwise required by the standard are therefore not given.

The contributions paid to the scheme in 2002 totalled £1,288,000 (2001: £1,319,000).

18. CAPITAL AND OTHER COMMITMENTS

The following commitments existed at the balance sheet date:

Future capital expenditure not otherwise provided for in these financial statements	<u>2002</u> £'000	<u>2001</u> £'000
Amounts contracted for	1,158	2,001
Authorised but not contracted for	2,261	2,331

19. FINANCIAL COMMITMENTS UNDER OPERATING LEASES

At 31 July 2002, the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

Lease expiring	<u>2002</u> £'000	<u>2001</u> £'000
Within two to five years	86	217
After five years	32	39

20. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Smiths Group plc which is also the ultimate parent undertaking and controlling party and is registered in England and Wales. Copies of the financial statements of Smiths Group plc can be obtained from The Company Secretary, Smiths Group plc, 765 Finchley Road, London NW11 8DS.