

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2000



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COMPANIES HOUSE 26/10/01

Registered Number: 394688

FLEXIBOX INTERNATIONAL LIMITED

Report and Financial Statements for the Year Ended

31 December 2000

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FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

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

<u>Results</u>	£000
Profit on Ordinary Activities for the Year Before Taxation	2,080
Taxation	(428)
Profit After Taxation	<u>1,652</u>
Retained Profit Brought Forward	24,978
Retained Profit Carried Forward	<u><u>26,630</u></u>

Activities

The Company acts as an investment parent undertaking and received investment income during the year. The Company's subsidiary and associate undertakings are principally engaged in the manufacture of mechanical seals and flexible power transmission couplings.

Review of the Business

The Company had a satisfactory year. The Directors are satisfied with the position of the Company as at 31 December 2000 and with its future prospects.

On 4 December 2000 the Company's ultimate parent undertaking, TI Group plc, was acquired by Smiths Group plc as part of the merger of the TI Group and the Smith Industries Group.

Post Balance Sheet Event

On 22 September 2000 Flexibox Argentina SA, a subsidiary of the Company, merged with John Crane Argentina SA, a fellow subsidiary of Smiths Group plc. The Company has a 75.78% interest in John Crane Argentina SA following the merger.

As a result of the purchase of the remaining 50% of Flexibox Argentina SA, deferred payment of part of the consideration was agreed. Following renegotiation in 2001 it was decided that one final payment be made and the consideration adjusted accordingly. This payment was made in August 2001 and is now shown as a creditor falling due within one year.

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (contd)

Directors

The Directors during the year were:

Name

Mr J R Edwards	resigned 25 April 2001
Mr D C Mitchell	
Mr G M Norris	
Mr D A Penn	appointed 24 April 2001

J R Edwards retires by rotation and, being eligible, offers himself for re-election.

Directors' Interests

Directors' interests in the share capital of the ultimate parent undertaking as recorded in the Register of Directors' Interests were:

	<u>Interest in Ordinary Shares</u>		<u>Options to Acquire Ordinary Shares</u>		
	<u>Smiths Group plc 2000</u>	<u>TI Group plc 1999</u>	<u>TI Group plc 2000</u>	<u>Granted (Exercised/ Lapsed) In the Year</u>	<u>TI Group plc 1999</u>
Mr J R Edwards	87,593	111,646	472,549	120,000	352,549
Mr D C Mitchell	-	-	21,758	18,131	3,627
Mr G M Norris	52,797	10,000	85,872	35,000	50,872

With the exception of the interests disclosed above, no Director had any interest in the shares or debentures of any Group undertaking.

On conclusion of the merger between TI Group and Smiths Industries, TI shareholders and holders of TI share options were given the option to convert to Smiths Group shares. The terms of the Option Exchange were determined by reference to the respective closing prices of a TI share and a Smiths Group share on the London Stock Exchange on 1 December 2000, the last day on which TI shares were traded. On that date the price of a Smiths Group share was 826p and the price of a TI Group share was 406.25p. As a result, the options were adjusted by a factor of 2.033. This means that the exercise price of an option will be multiplied by 2.033 and the number of shares under option will be divided by 2.033. The option to convert to Smiths Group options expires on 4 June 2000.

Directors' Responsibilities for the Accounts

Company law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (contd)

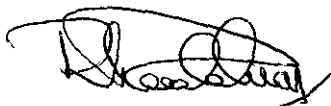
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, and 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, hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD



R J PADDISON
Company Secretary

Date: 25 OCTOBER 2001

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

FLEXIBOX INTERNATIONAL LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report. As described on pages 2 and 3, 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 mis-statements or material inconsistencies with the financial statements.

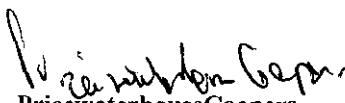
Basis of Opinion

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 mis-statement, 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 affairs of the Company at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
West London
Date:

24 October 2001

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u> £000	<u>1999</u> £000
Other Charges from Continuing Operations		(4)	(5)
OPERATING LOSS		<u>(4)</u>	<u>(5)</u>
Gain on Transfer of Investments to Other Group Companies		740	20,147
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		<u>736</u>	<u>20,142</u>
Income from Shares in Group Undertakings		-	59
Income from Share or Shares in Participating Interests		38	14
Income from Fixed Asset Investments		-	90
Other Interest Receivable and Similar Income	2	1,380	676
Interest Payable and Similar Charges	2	(74)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,080</u>	<u>20,981</u>
Taxation on Profit on Ordinary Activities	5	(428)	(249)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,652</u>	<u>20,732</u>
RETAINED PROFIT FOR THE YEAR	10	<u>1,652</u>	<u>20,732</u>

There is no difference between the results shown for the year and their historical cost equivalent.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2000</u> £000	<u>1999</u> £000
Profit attributable to the members of the parent company	1,652	20,732
Exchange differences on translations of investments	-	26
Total recognised gains and losses relating to the year	<u>1,652</u>	<u>20,758</u>

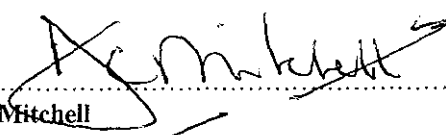
The notes on pages 7 to 12 form part of these accounts

FLEXIBOX INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
FIXED ASSETS			
Investments	6	6,272	8,655
CURRENT ASSETS			
Debtors	7	387	279
Cash at Bank and In Hand		21,471	17,113
		21,858	17,392
CREDITORS:			
Amounts Falling Due Within One Year	8	(1,425)	(994)
NET CURRENT ASSETS		20,433	16,398
TOTAL ASSETS LESS CURRENT LIABILITIES		26,705	25,053
NET ASSETS		26,705	25,053
CAPITAL AND RESERVES			
Called Up Share Capital	9	75	75
Profit & Loss Account	10	26,630	24,978
EQUITY SHAREHOLDERS' FUNDS		26,705	25,053

Approved by the Board of Directors on 25 OCTOBER 2001 and signed on its behalf by:



 D C Mitchell

The notes on pages 7 to 12 form part of these accounts

FLEXIBOX INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

(b) Group Accounts

The accounts present information about the Company as an individual undertaking and not about its group.

Flexibox International Limited is exempt from preparing group accounts under S228 of the Companies Act 1985 as the Company is a wholly owned subsidiary undertaking of Smiths Group plc, a company incorporated in the United Kingdom.

A statement of cash flows in accordance with FRS1 (Revised 1996) has not been prepared as the Company is a wholly owned subsidiary of Smiths Group plc, which presents a cash flow for the Group within its consolidated accounts.

(c) Income from Investments

Income from investments is brought in on the basis of dividends paid by subsidiary and associated undertakings in the year.

(d) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Profit & Loss Account.

Investments in subsidiary and associated undertakings, in the form of long-term loans in foreign currencies, are stated in sterling at the rates of exchange ruling at 31 December. Exchange differences arising on the retranslation of such investments are dealt with as a movement on reserves.

(e) Fixed Asset Investments

Fixed asset investments are stated at cost less any provision for impairment.

2. INTEREST RECEIVABLE AND INTEREST PAYABLE

Interest Receivable and Other Similar Income

	<u>2000</u>	<u>1999</u>
	<u>£000</u>	<u>£000</u>
Bank interest	1,353	609
Interest receivable from subsidiary and associated undertakings	27	67
	<u>1,380</u>	<u>676</u>

FLEXIBOX INTERNATIONAL LIMITED

2. INTEREST RECEIVABLE AND INTEREST PAYABLE (contd)

Interest Payable and Other Similar Charges

	<u>2000</u> £000	<u>1999</u> £000
Exchange loss on long-term monetary assets	(74)	-
	<hr/>	<hr/>

3. OPERATING PROFIT

This is stated after charging the following item:

	<u>2000</u> £000	<u>1999</u> £000
Auditors' remuneration – audit fees	-	5

Auditors' remuneration in 2000 was borne by a fellow subsidiary and has not been recharged.

4. DIRECTORS' EMOLUMENTS AND EMPLOYEES

No directors received any emoluments for their services to the Company (1999: £nil).

The Company has no employees (1999: nil).

5. TAXATION

	<u>2000</u> £000	<u>1999</u> £000
Taxation based on the profit for the year:		
Corporation taxation at 30% (1999: 30.25%)	424	268
Less: Relief for overseas taxation	(13)	(28)
	<hr/> 411	<hr/> 240
Tax under provided in previous years	17	9
	<hr/> 428	<hr/> 249

FLEXIBOX INTERNATIONAL LIMITED

6. FIXED ASSET INVESTMENTS

	Associated Undertakings	Subsidiary Undertakings		Fixed Asset Investments	Total
	Shares £000	Shares £000	Loans £000	Shares £000	£000
Cost:					
At 1 January	149	5,847	1,304	1,491	8,791
Exchange difference	-	-	(74)	-	(74)
Repayments	-	-	(1,120)	-	(1,120)
Additions	-	1,757	582	-	2,339
Transfers	(35)	35	-	-	-
Disposals	-	(3,528)	-	-	(3,528)
At 31 December	114	4,111	692	1,491	6,408
Amounts provided:					
At 1 January	-	-	136	-	136
Provided during year	-	-	-	-	-
Exchange difference	-	-	-	-	-
Disposals/Transfers	-	-	-	-	-
At 31 December	-	-	136	-	136
Net book value:					
At 31 December	114	4,111	556	1,491	6,272
At 1 January	149	5,847	1,168	1,491	8,655

The subsidiary undertakings of Flexibox International Limited at 31 December 2000 were:

	Country of <u>Incorporation</u>	% of Equity <u>Shares Held</u>
Flexibox Oy	Finland	100%
Flexibox GmbH	Germany	100%
Flexibox Japan Limited	Japan	100%
Flexibox Sp zoo	Poland	100%
John Crane (Thailand) Limited	Thailand	100%
Flexibox Inc	USA	100%
Flexibox Argentina SA	Argentina	100%

Ownership of Flexibox Pty Limited (Australia) was transferred to TI Group plc in February 2000.

Ownership of Flexibox BV was transferred to TI International Holdings in June 2000.

Flexibox AS (Norway) was liquidated in January 2000.

On 31 January 2000 the Company increased its interest in Flexibox Argentina SA from 50% to 100% of the equity share capital. The acquisition has been accounted for under acquisition accounting.

FLEXIBOX INTERNATIONAL LIMITED

6. FIXED ASSET INVESTMENTS (contd

On 22 September 2000 Flexibox Argentina SA, a subsidiary of the Company, merged with John Crane Argentina SA, a fellow subsidiary of Smiths Group plc. The Company has a 75.78% interest in John Crane Argentina SA following the merger.

As a result of the purchase of the remaining 50% of Flexibox Argentina SA, deferred payment of part of the consideration was agreed. Following renegotiation in 2001 it was decided that one final payment be made and the consideration adjusted accordingly. This payment was made in August 2001 and is now shown as a creditor falling due within one year.

	Country of <u>Incorporation</u>	% of Equity <u>Shares Held</u>
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The associated undertaking of Flexibox International Limited at 31 December 2000 was:

Triveni Flexibox Limited	India	50%
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The net assets of Triveni Flexibox Limited at 31 December 2000 were £264,465 and the profit for the year then ended was £148,734.

The fixed asset investments held by Flexibox International Limited at 31 December 2000 were:

John Crane Canada Inc	Canada	0.82%
Industrias John Crane de Mexico SA	Mexico	10%

The subsidiary and associated undertakings of Flexibox International Limited are principally engaged in the manufacture of mechanical seals and flexible power transmission couplings.

7. DEBTORS

	<u>2000</u> £000	<u>1999</u> £000
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	-	19
Amounts owed by ultimate parent undertaking	377	260
Other debtors	10	-
	<u>387</u>	<u>279</u>

FLEXIBOX INTERNATIONAL LIMITED

8. CREDITORS

	<u>2000</u> £000	<u>1999</u> £000
Amounts falling due within one year:		
Corporation tax	613	199
Amounts owed to fellow subsidiary undertakings	166	502
Other creditors	5	5
Other creditors – relating to Flexibox Argentina SA	641	
Amounts owed to ultimate parent undertaking	-	288
	<u>1,425</u>	<u>994</u>

9. SHARE CAPITAL

	2000 and 1999			
	Authorised		Allotted, called up and fully paid	
	Number	£000	Number	£000
Ordinary shares of £1 each	100,000	100	75,000	75

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND
MOVEMENTS ON RESERVES

	Share Capital £000	Profit & Loss Account £000	Total £000
At 1 January 1999	75	4,220	4,295
Profit for the year	-	20,732	20,732
Exchange difference on retranslation of investments	-	26	26
At 1 January 2000	<u>75</u>	<u>24,978</u>	<u>25,053</u>
Profit for the year	-	1,652	1,652
At 31 December 2000	<u>75</u>	<u>26,630</u>	<u>26,705</u>

11. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Smiths Group plc, Flexibox International Limited has taken advantage of the exemptions available under FRS8 not to disclose related party transactions with other group companies.

FLEXIBOX INTERNATIONAL LIMITED

12. **ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking and controlling party is Smiths Group plc, a company registered in England.

The parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Smiths Group plc. Copies of Smiths Group plc accounts can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.