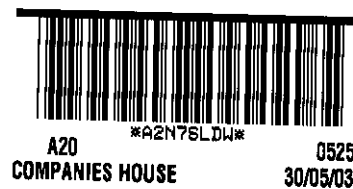


FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE TWELVE MONTHS TO 3rd AUGUST 2002

Registered Number 394688



FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and audited accounts for the twelve months to 3rd August 2002.

Activities

The Company acts as an investment parent undertaking and received investment income during the period. 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 3rd August 2002 and with its future prospects. The principal activity of the company is not expected to change in the foreseeable future.

Results and Appropriations

The Company's results for the 12 months are set out in the Profit and Loss Account on page 4. The Board do not recommend the payment of any dividend and accordingly the loss of £582,000 (2001 - £913,000 loss) has been transferred to reserves.

Directors

The Directors during the period were:

Name

Mr G M Norris

Mr D A Penn

Mr R J Paddison

Mr D C Mitchell

appointed 30th December 2001

resigned 31st December 2001

Directors' Interests

As at 3rd August 2002, 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 2002</u>	<u>Smiths Group plc 2001</u>	<u>Smiths Group plc 2002</u>	<u>Granted In the Period</u>	<u>Smiths Group plc 2001</u>
Mr G M Norris	31,777	27,797	80,453	29,480	50,973
Mr D A Penn	-	-	37,051	7,500	29,551
Mr R J Paddison	446	446	2,554	-	2,554

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.

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

FLEXIBOX INTERNATIONAL LIMITED

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

Statement of directors' responsibilities

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.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under Note 1 "Accounting Policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 3rd August 2002 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 and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 will be proposed at the annual general meeting.

By order of the Board



C M BLAKEMORE
Company Secretary

Date

FLEXIBOX INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FLEXIBOX INTERNATIONAL LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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 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 into 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 of 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 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 3 August 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
Date: 28 May 2003

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE TWELVE MONTHS ENDED 3RD AUGUST 2002

	<u>Notes</u>	Twelve months ended <u>3rd August 2002</u> £000	Seven months ended <u>4th August 2001</u> (as restated) £000
Turnover		-	-
Operating costs		(19)	(26)
- Ongoing		(11)	(26)
- Provision for impairment of fixed assets		(1,317)	-
Other operating income		10	-
OPERATING LOSS		<u>(1,318)</u>	<u>(26)</u>
Profit/(loss) on sale of fixed asset investments		728	(1,451)
(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		<u>(590)</u>	<u>(1,477)</u>
Interests from shares in participating interests		-	16
Other Interest Receivable and Similar Income	2	8	836
Interest Payable and Similar Charges	2	-	(31)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(582)</u>	<u>(656)</u>
Taxation on loss on Ordinary Activities	5	-	(257)
RETAINED LOSS FOR THE PERIOD	10	<u>(582)</u>	<u>(913)</u>

There is no difference between the results shown for the period and their historical cost equivalent. There were no other recognised gains or losses in the period other than those stated above.

The notes on pages 6 to 10 form part of these accounts.

FLEXIBOX INTERNATIONAL LIMITED

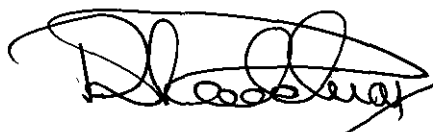
BALANCE SHEET

	<u>Notes</u>	At <u>3rd August</u> <u>2002</u> £000	At <u>4th August</u> <u>2001</u> <u>(restated)</u> £000
FIXED ASSETS			
Investments	6	4,125	4,786
CURRENT ASSETS			
Debtors – Amounts Falling due within one year	7	312	130
Debtors – amounts falling due after more than 1 year	7	73	-
Cash at Bank and In Hand		20,911	22,081
		21,296	22,211
CREDITORS:			
Amounts Falling Due Within One Year	8	(211)	(1,205)
NET CURRENT ASSETS		21,085	21,006
TOTAL ASSETS LESS CURRENT LIABILITIES		25,210	25,792
CAPITAL AND RESERVES			
Called Up Share Capital	9	75	75
Profit & Loss Account	10	25,135	25,717
EQUITY SHAREHOLDERS' FUNDS		25,210	25,792

Approved by the Board of Directors on

28 May 2003

and signed on its behalf by:



R J PADDISON

The notes on pages 6 to 10 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, the accounting policies set out below and in accordance with applicable accounting standards.

(b) Group Accounts

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) 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 the balance sheet date.

(d) Fixed Asset Investments

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

(e) Taxation

All taxation liabilities, both current and future, have been assumed by Smiths Group plc.

2. INTEREST RECEIVABLE AND INTEREST PAYABLE

Interest Receivable and Other Similar Income

	<u>2002</u> £000	<u>2001</u> £000
Bank interest	-	836
Interest receivable from subsidiary and associated undertakings	8	-
	<u>8</u>	<u>836</u>

Interest Payable and Other Similar Charges

	<u>2002</u> £000	<u>2001</u> £000
Exchange loss on long-term monetary assets	-	(31)

The company received no interest on cash at bank during the year due to the operation of a pooling system whereby interest is paid directly to Smiths Group plc on the net cash balance in a number of subsidiaries of Smiths Group plc.

FLEXIBOX INTERNATIONAL LIMITED

3. AUDITORS' REMUNERATION

Auditors' remuneration for 2002 and 2001 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 (2001: £nil).

The Company has no employees (2001: nil).

5. TAXATION

	<u>2002</u> £000	<u>2001</u> £000
Taxation based on the profit for the period:		
Corporation taxation at 30% (2001: 30%)	-	257

The responsibility for all current and future taxation liabilities has been assumed by Smiths Group plc.

6. FIXED ASSET INVESTMENTS

	Associated Undertakings	Subsidiary Undertakings		Fixed Asset Investments		Total
	Shares £000	Shares £000	Loans £000	Shares £000	Loans £000	£000
Cost:						
At 5 th August	114	2,660	521	1,491	180	4,966
Exchange difference	-	-	4	-	(15)	(11)
Repayments	-	-	(525)	-	-	(525)
Additions	-	1,398	-	-	8	1,406
Transfers	(114)	114	-	-	-	-
Disposals	-	(229)	-	-	-	(229)
At 3 rd August 2002	-	3,943	-	1,491	173	5,607
Amounts provided:						
At 5 th August	-	-	-	-	(180)	(180)
Provided during year	-	(1,309)	-	-	(8)	(1,317)
Exchange difference	-	-	-	-	15	15
At 3 rd August 2002	-	(1,309)	-	-	(173)	(1,482)
Net book value:						
At 3 rd August 2002	-	2,634	-	1,491	-	4,125
At 5 th August 2001	114	2,660	521	1,491	-	4,786

FLEXIBOX INTERNATIONAL LIMITED

6. FIXED ASSET INVESTMENTS

The subsidiary undertakings of Flexibox International Limited at 3rd August 2002 were:

	<u>Country of Incorporation</u>	<u>% of Equity Shares Held</u>
Flexibox Japan Limited	Japan	100%
John Crane Poland Sp. z.o.o.	Poland	100%
John Crane (Thailand) Limited	Thailand	100%
Triveni Flexibox Limited	India	100%
John Crane Argentina SA	Argentina	75.78%

In February 2002 the investment in the share capital of John Crane Poland Sp z.o.o. (previously Flexibox Sp. z.o.o.) was increased by £174,000. This company remains 100% owned.

On 29 November 2001 the remaining 50% of Triveni Flexibox Ltd was acquired for consideration of £ 1,159,000.

In addition the company incurred professional fees of £65,000 in respect of current and prior year acquisitions.

Flexibox Oy was liquidated in November 2001, realising a loss of £710.

On 30th July 2002 Flexibox Inc. was sold to Smiths Inc. for consideration of £954,000, realising a profit of £728,000.

On 30th July 2002 John Crane (Thailand) Limited repaid loans of £525,000.

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

The other fixed asset investments held by Flexibox International Limited at 3rd August 2002 were:

John Crane Canada Inc	Canada	0.82% of equity shares
Industrias John Crane de Mexico SA	Mexico	10% of equity shares
Smiths Brasil Ltda	Brasil	£173,000 loan

During the year a further £8,000 was lent to Smiths Brasil Ltda. Recoverability is considered doubtful and this loan has been fully provided for.

An impairment review of all fixed asset investments was undertaken at 3rd August 2002. The following provisions are held:

1. £1,309,000 has been made in respect of the investment in John Crane Argentina following the devaluation of the Argentine Peso in the period.
2. £173,000 against the loan to Smiths Brasil Ltda.

In the opinion of the Directors, no other impairment provisions are required.

FLEXIBOX INTERNATIONAL LIMITED

7. DEBTORS

	<u>2002</u> £000	<u>2001</u> £000
Amounts falling due within one year:		
Amounts owed by ultimate parent undertaking	<u>312</u>	<u>130</u>
Amounts falling due after more than 1 year:		
Loan	<u>73</u>	<u>-</u>

In January 2002 a loan of £73,400 was made to an external party to facilitate a capital restructuring of John Crane (Thailand) Limited. This loan is secured by an interest in Preference Shares of John Crane (Thailand) Ltd.

8. CREDITORS

	<u>2002</u> £000	<u>2001</u> £000
Amounts falling due within one year:		
Corporation tax	-	650
Amounts owed to fellow subsidiary undertakings	176	193
Other creditors	35	362
	<u>211</u>	<u>1,205</u>

9. SHARE CAPITAL

	2002 and 2001			
	Authorised		Allotted, called up and fully paid	
	Number	£000	Number	£000
Ordinary shares of £1 each	<u>100,000</u>	<u>100</u>	<u>75,000</u>	<u>75</u>

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

	Share Capital £000	Profit & Loss Account £000	Total £000
At 5 th August 2001	75	25,717	25,792
Loss for the period		(582)	(582)
At 3 rd August 2002	<u>75</u>	<u>25,135</u>	<u>25,210</u>

FLEXIBOX INTERNATIONAL LIMITED

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.

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent is EIS Group plc, and 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.