

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

Registered Number: 394688



FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and audited accounts for the year to 31 December 1998.

<u>Results</u>	<u>£000</u>
Profit on Ordinary Activities for the Year Before Taxation	2,430
Taxation	(1,129)
Profit After Taxation	<u>1,301</u>
Transfer of subsidiaries to other Group companies	1,430
Dividend Proposed	-
Retained Profit Brought Forward	1,493
Exchange Differences on Investments	(4)
Retained Profit Carried Forward	<u><u>4,220</u></u>

On 24 July 1998 the Company's ultimate parent undertaking, EIS Group PLC, was acquired by TI Group plc.

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.

Directors

The Directors during the year were:

Name

Mr R T Gant	resigned 31 December 1998
Mr J Hanson	resigned 31 March 1999
Mr P J K Haslehurst	resigned 31 December 1998
Mr J J Hobbs	resigned 24 July 1998
Mr D C Mitchell	
Mr G Picca	
Mr F Suraud	
Mr F K Wright	

Messrs F K Wright, D C Mitchell and F Suraud retire by rotation and, being eligible, offer themselves for re-election.

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (contd

Directors' Interests

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

	Interest in Ordinary Shares		Options to Acquire 25p Ordinary Shares	
	1998	1997	1998	1997
Mr R T Gant	-	-	-	-
Mr J Hanson	-	-	2,754	-
Mr D C Mitchell	-	-	2,923	-
Mr G Picca	-	-	-	-
Mr F Suraud	-	-	-	-
Mr F K Wright	620	-	2,754	-

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

Review of the Business

The Company had a good year, with dividend income received from overseas subsidiaries being significantly higher than in 1997.

Year 2000 and the Euro

The Company is participating in the TI Group plc programme, initiated in 1996 to address the Year 2000 computer problem, which is well advanced. This programme is designed to address the business critical risks and uncertainties, including an assessment and testing of communication networks, business and infrastructure systems and, in particular, control systems in shop floor equipment. There has also been significant work, including detailed correspondence and site visits, to minimise the potential disruption caused by non-compliance of third parties including major customers and suppliers.

It is widely recognised and accepted, however, that the nature and complexity of the problem means that there cannot be any guarantee that problems will not arise. Whilst the Company expects all its business critical systems to be millennium compliant before the end of 1999, contingency plans are being prepared to cope with any potential disruption, particularly from external events outside the Company's control. Action has also been taken to address the systems and business issues associated with the introduction of the Euro from 1 January 1999.

The actions for both Year 2000 and Euro form part of the Company's continuing investment in electronic systems. The estimated costs of achieving Year 2000 and Euro compliance are not significant.

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (contd)

Directors' Responsibilities for the Accounts

Company law requires the Directors to prepare accounts for each financial year which 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. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

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 accounts 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.

Appointment of Auditors

Following the acquisition of the Company by TI Group plc, Ernst & Young resigned as auditors. With effect from 26 November 1998 PricewaterhouseCoopers were appointed as auditors of the Company.

ON BEHALF OF THE BOARD



R J PADDISON
Company Secretary

28 June 1999

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

FLEXIBOX INTERNATIONAL LIMITED

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

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 accounts and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the accounts.

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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, 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 accounts are free from material misstatements, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Manchester

Date: 5 July 1999.

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £000	<u>1997</u> £000
Income from Investments	2	2,265	1,561
Interest Receivable	3	175	180
Other Charges		(10)	(16)
OPERATING PROFIT	4	<u>2,430</u>	<u>1,725</u>
Exceptional Item: Gain on Transfer of Investments to Other Group Companies		1,430	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>3,860</u>	<u>1,725</u>
Taxation on Profit on Ordinary Activities	6	(1,129)	(729)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,731</u>	<u>996</u>
Dividends	7	-	(950)
RETAINED PROFIT FOR THE YEAR	12	<u>2,731</u>	<u>46</u>

Recognised Gains and Losses

	<u>1998</u> £000	<u>1997</u> £000
Profit attributable to the members of the parent company	2,731	996
Exchange differences on translations of investments	(4)	(203)
Total recognised gains and losses relating to the year	<u>2,727</u>	<u>793</u>

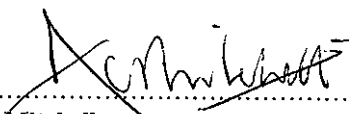
The notes on pages 7 to 12 form part of these accounts

FLEXIBOX INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £000	<u>1997</u> £000
FIXED ASSETS			
Investments	8	5,546	5,843
CURRENT ASSETS			
Debtors	9	2,039	4
Cash at Bank and In Hand		413	16
		2,452	20
CREDITORS:			
Amounts Falling Due Within One Year	10	(70)	(983)
NET CURRENT ASSETS/(LIABILITIES)		2,382	(963)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,928	4,880
CREDITORS:			
Amounts Falling Due After More Than One Year	10	(3,633)	(3,312)
		4,295	1,568
CAPITAL AND RESERVES			
Called Up Share Capital	11	75	75
Profit & Loss Account	12	4,220	1,493
EQUITY SHAREHOLDERS' FUNDS		4,295	1,568

Approved by the Board of Directors on 28 June 1999 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 TI 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 TI 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.

2. INCOME FROM INVESTMENTS

	<u>1998</u>	<u>1997</u>
	<u>£000</u>	<u>£000</u>
Dividends received from subsidiary and Associated undertakings	<u>2,265</u>	<u>1,561</u>

FLEXIBOX INTERNATIONAL LIMITED

3. INTEREST RECEIVABLE

	<u>1998</u> £000	<u>1997</u> £000
Interest receivable from subsidiary and associate undertakings	<u>175</u>	<u>180</u>

4. OPERATING PROFIT

This is stated after charging the following items:

	<u>1998</u> £000	<u>1997</u> £000
Auditors' remuneration -- audit	10	11
Auditors' remuneration -- non-audit	-	5

5. DIRECTORS' EMOLUMENTS

	<u>1998</u> £000	<u>1997</u> £000
Emoluments	<u>nil</u>	<u>nil</u>

6. TAXATION

	<u>1998</u> £000	<u>1997</u> £000
Taxation based on the profit for the year:		
Corporation taxation at 31% (1997: 31.5%)	1,851	1,224
Less: Relief for overseas taxation	(707)	(496)
	<u>1,144</u>	<u>728</u>
Tax under/(over) provided in previous years	(15)	1
	<u>1,129</u>	<u>729</u>

FLEXIBOX INTERNATIONAL LIMITED

7. DIVIDENDS

	<u>1998</u> £000	<u>1997</u> £000
Ordinary – final proposed	-	950

8. FIXED ASSET INVESTMENTS

	<u>Associated Undertakings</u>		<u>Subsidiary Undertakings</u>		
	<u>Shares £000</u>	<u>Loans £000</u>	<u>Shares £000</u>	<u>Loans £000</u>	<u>Total £000</u>
Cost:					
At 1 January 1998	149	-	3,410	2,713	6,272
Exchange difference	-	-	-	(5)	(5)
Repayments	-	-	-	(2,053)	(2,053)
Additions	-	-	1,573	655	2,228
Disposals/Transfers	-	-	(545)	-	(545)
At 31 December 1998	<u>149</u>	<u>-</u>	<u>4,438</u>	<u>1,310</u>	<u>5,897</u>
Amounts provided:					
At 1 January 1998	-	-	298	131	429
Provided during year	-	-	-	6	6
Exchange difference	-	-	-	(1)	(1)
Disposals/Transfers	-	-	(83)	-	(83)
At 31 December 1998	<u>-</u>	<u>-</u>	<u>215</u>	<u>136</u>	<u>351</u>
Net book value:					
At 31 December 1998	<u>149</u>	<u>-</u>	<u>4,223</u>	<u>1,174</u>	<u>5,546</u>
At 1 January 1998	<u>149</u>	<u>-</u>	<u>3,112</u>	<u>2,582</u>	<u>5,843</u>

The subsidiary undertakings of Flexibox International Limited at 31 December 1998 were:

	<u>Country of Incorporation</u>	<u>% of Equity Shares Held</u>
Flexibox Pty Limited	Australia	100%
Flightspares Pty Limited ¹	Australia	100%
Fluidrive Fluid Couplings Pty Limited ¹	Australia	100%
Flexibox do Brasil Ind E Com Ltda ²	Brasil	100%
Flexibox Oy	Finland	100%
Flexibox SA	France	100%
Flexibox GmbH	Germany	100%
Flexibox SpA	Italy	100%
Flexibox Japan Limited	Japan	100%
Flexibox Korea Limited	Korea	60%

FLEXIBOX INTERNATIONAL LIMITED

8. FIXED ASSET INVESTMENTS (contd

Flexibox BV	Netherlands	51%
Flexibox AS	Norway	100%
Flexibox Sp zoo	Poland	100%
Flexibox Pte Limited	Singapore	100%
Flightspares Pte Limited ³	Singapore	100%
Flexibox (Pty) Limited	South Africa	100%
FS Aviation Spares (Pty) Limited ⁴	South Africa	100%
Flexibox Iberica SA	Spain	100%
Flexibox AB	Sweden	100%
Flexibox (Thailand) Company Limited	Thailand	51%
Flexibox Inc	USA	100%
Corporacion Flexibox de Venezuela CA ⁵	Venezuela	34%

¹ Flightspares Pty Limited and Fluidrive Fluid Couplings Pty Limited are subsidiary undertakings of Flexibox Pty Limited.

² The share capital of Flexibox do Brasil Industrial E Comercio Limitada is beneficially owned by TI Group plc.

³ Flightspares Pte Limited is a subsidiary undertaking of Flexibox Pte Limited.

⁴ FS Aviation Spares (Pty) Limited is a subsidiary undertaking of Flexibox (Pty) Limited.

⁵ Corporacion Flexibox de Venezuela CA is a subsidiary undertaking of Flexibox BV (Netherlands).

Eurelec Italia SRL (a subsidiary undertaking of Flexibox SpA) was disposed of in March 1998 for an amount in excess of book value.

Ownership of Flexibox (Canada) Inc was transferred to John Crane Canada Inc (a fellow subsidiary) in December 1998.

Ownership of Flexibox SA (Mexico) was transferred to Industrias John Crane de Mexico SA (a fellow subsidiary) in December 1998.

The beneficial ownership of Flexibox do Brasil Industria E Comercio Limitada was transferred to TI Group plc in December 1998.

The ownership of Flexibox Iberica SA was transferred post year-end (March 1999) to TI Group plc.

The associated undertakings of Flexibox International Limited at 31 December 1998 were:

	<u>Country of Incorporation</u>	<u>% of Equity Shares Held</u>
Flexibox Argentina SA	Argentina	50%
Triveni Flexibox Limited	India	50%
Industrias John Crane de Mexico SA	Mexico	10%

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8. FIXED ASSET INVESTMENTS (contd

Shares in Industrias John Crane de Mexico SA, a fellow subsidiary of the ultimate parent undertaking, were received as consideration for shares in Flexibox SA (Mexico).

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

9. DEBTORS

	<u>1998</u> £000	<u>1997</u> £000
Amounts falling due within one year:		
Other debtors	-	4
Amounts owed by fellow subsidiary undertakings	2,039	-
	<u>2,039</u>	<u>4</u>

10. CREDITORS

	<u>1998</u> £000	<u>1997</u> £000
Amounts falling due within one year:		
Corporation tax	67	15
Other creditors	3	18
Dividend payable	-	950
	<u>70</u>	<u>983</u>
Amounts falling due after one year:		
Amounts owed to parent undertaking	3,633	2,738
Amounts owed to fellow subsidiary undertakings	-	574
	<u>3,633</u>	<u>3,312</u>

There are no terms of repayment for the amounts due to the parent undertaking nor is any interest charged.

11. SHARE CAPITAL

	1998 and 1997			
	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>75,000</u>	<u>75,000</u>

FLEXIBOX INTERNATIONAL LIMITED

12. **RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
At 1 January 1997	75	1,650	1,725
Profit for the year	-	996	996
Dividend	-	(950)	(950)
Exchange difference on retranslation of investments	-	(203)	(203)
At 1 January 1998	75	1,493	1,568
Profit for the year	-	2,731	2,731
Dividend	-	-	-
Exchange difference on retranslation of investments	-	(4)	(4)
At 31 December 1998	75	4,220	4,295

13. **RELATED PARTY TRANSACTIONS**

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

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

The ultimate parent undertaking and controlling party is TI 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 TI Group plc. Copies of TI Group plc accounts can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.