

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE PERIOD ENDED 31st JULY 2007

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COMPANIES HOUSE

Registered Number 394688

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and audited accounts for the 52 week period to 31st July 2007

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 31st July 2007 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 period are set out in the Profit and Loss Account on page 5. The Company has not paid any dividends during the period (2006 £nil). The profit of £508,000 (2006 £684,000 profit) has been transferred to reserves.

Directors

The Directors during the period were

Name

Mr G M Norris – Resigned 31/07/2007

Mr D A Penn

Mr R J Paddison

Mrs S L O'Brien – Appointed 31/07/07

The Company has maintained insurance for the directors against liability arising from negligence in relation to the Company, as permitted under Section 310 of the Companies Act 1985.

FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (Contd..)

Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period 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 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.

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 period ended 31st July 2007 and that applicable accounting standards have been followed.

As at the date of this report, as far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken such steps as he should have taken as a Director in order to make himself aware of the relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

By order of the Board



R. J. Paddison
Director

Date 13th December 2007

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FLEXIBOX INTERNATIONAL LIMITED

We have audited the financial statements of Flexibox International Limited for the period ended 31st July 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

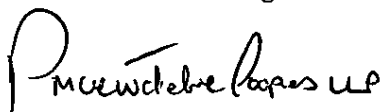
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st July 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written over the signature line.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

13th December 2007

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED 31st July 2007

	<u>Notes</u>	<u>31st July</u> <u>2007</u> <u>£000</u>	<u>5th August</u> <u>2006</u> <u>£000</u>
Administrative expenses		(6)	-
Provision for impairment of investments	6	-	(118)
OPERATING LOSS		<u>(6)</u>	<u>(118)</u>
Income from shares in group undertakings		265	595
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		<u>259</u>	<u>477</u>
Other interest receivable and similar income	2	347	298
Interest payable and similar charges	2	-	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>606</u>	<u>774</u>
Taxation on profit on ordinary activities	5	<u>(98)</u>	<u>(90)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>508</u>	<u>684</u>
Dividends		-	-
RETAINED PROFIT FOR THE PERIOD	10	<u>508</u>	<u>684</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.

All losses on ordinary activities arose from continuing operations.

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

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BALANCE SHEET
AT 31st July 2007

	<u>Notes</u>	<u>31st July</u> <u>2007</u> <u>£000</u>	<u>5th August</u> <u>2006</u> <u>£000</u>
FIXED ASSETS			
Investments	6	1,044	1,044
CURRENT ASSETS			
Debtors – amounts falling due within one year	7	6,406	6,288
Cash at bank and in hand		<u>1,339</u>	<u>935</u>
		7,745	7,223
CREDITORS			
Amounts falling due within one year	8	<u>(104)</u>	<u>(90)</u>
NET CURRENT ASSETS		7,641	7,133
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,685</u>	<u>8,177</u>
CAPITAL AND RESERVES			
Called up share capital	9	75	75
Profit & loss account	10	8,610	8,102
EQUITY SHAREHOLDERS' FUNDS		<u>8,685</u>	<u>8,177</u>

Approved by the Board of Directors on 13th December 2007 and signed on its behalf by



R J PADDISON

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

FLEXIBOX INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

I ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

(b) Changes in accounting policy

The Company has adopted 'FRS 20 Share-based payment' ("FRS 20"), 'FRS 23 The Effects of Changes in Foreign Exchange Rates' ("FRS 23"), 'FRS 24 Financial Reporting in Hyperinflationary Economies' ("FRS 24"), the disclosure requirements of 'FRS 25 Financial Instruments Disclosure and presentation' ("FRS 25") and 'FRS 26 Financial Instruments Measurement' ("FRS 26") in these accounts. FRS 20 has been adopted as required by the standard. FRS 23, FRS 24, the disclosure requirements of FRS 25 and FRS 26 have been adopted to bring the Company accounting policies closer to the policies used to prepare the Smiths Group plc consolidated accounts.

The adoption of FRS 20, FRS 23, FRS 24, FRS 25 and FRS 26 has no material effect on the accounts or its disclosures.

(c) 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.

(d) Foreign Currencies

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

(e) Fixed Asset Investments

Fixed asset investments are stated at cost, less any permanent or temporary diminutions in value. Diminutions in value are charged or credited to the profit and loss account as they arise.

(f) Taxation

The tax on profit on ordinary activities represents the amount paid for Group relief in respect of tax losses claimed in the current period.

Deferred taxation, where material, is recognised in respect of timing differences that have originated but not reversed as at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as disclosed in the accounts, arising from the inclusion of gains and losses in the tax computations in periods different from those in which they are recognised in the accounts.

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(g) Financial assets

Financial assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price used includes transaction costs unless the asset is being fair valued through the profit and loss account.

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates their designation at each reporting date. Assets are classified as loans and receivables, held to maturity investments, available-for-sale financial assets, or financial assets where changes in fair value are charged (or credited) to the profit and loss account.

The subsequent measurement of financial assets depends on their classification. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets where changes in fair value are charged (or credited) to the profit and loss account are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously taken to reserves are included in the profit and loss account.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

(h) Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs and any discount or premium on issue are subsequently amortised under the effective yield method through the profit and loss account as interest over the life of the loan, and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified due within one year unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

2 INTEREST RECEIVABLE AND INTEREST PAYABLE

Interest Receivable and Other Similar Income

	<u>2007</u>	<u>2006</u>
	<u>£000</u>	<u>£000</u>
Interest received from parent undertaking	308	283
Interest received from external loan	-	5
Interest received from bank	39	10
	<u>347</u>	<u>298</u>

Interest Payable

Interest payable to parent undertaking	<u>-</u>	<u>(1)</u>
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During the period, interest was received from the parent undertaking, at base rate less ½ %

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3 **AUDITORS' REMUNERATION**

Auditors' remuneration for 2007 and 2006 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 (2006 £nil)

The Company has no employees (2006 nil)

No Director is accruing retirement benefits under a money purchase pension scheme (2006 nil), but three Directors are accruing retirement benefits under a defined benefit pension scheme (2006 three)

5 **TAXATION**

	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
Profit before taxation and before adjustment of Group relief	612	774
Less excess payment for group relief claimed in prior year	(6)	-
Profit on ordinary activities before tax	606	774
Corporation taxation at 30% (2006 30%)	182	232
Add tax effect re excess payment for losses	2	-
Adjustment to prior year taxation	(6)	-
	178	232
Effect of Items not allowable for tax purposes	(80)	(142)
Group relief surrendered from fellow subsidiary		
- current year	(98)	-
-Payment for Group relief	98	-
Current tax charge for the period	98	90

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6 FIXED ASSET INVESTMENTS

	Subsidiary Undertakings	Fixed Asset Investments	Total
	Shares £000	Shares £000	Shares £000
Cost			
At 5 th August 2006	2,096	881	2,977
At 31st July 2007	2,096	881	2,977
Amounts provided			
At 5 th August 2006	(1,168)	(765)	(1,933)
At 31st July 2007	(1,168)	(765)	(1,933)
Net book value			
At 31st July 2007	928	116	1,044
At 5 th August 2006	928	116	1,044

The subsidiary undertakings of Flexibox International Limited at 31st July 2007 were

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

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

The other fixed asset investment held by Flexibox International Limited at 31st July 2007 was

Industria John Crane de Mexico SA	Mexico	10% of equity shares
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The value of the investment in John Crane Flexibox (India) Private Ltd has been written down to the sum of the anticipated future cashflows to be received, which amount to £118,000 (2006 £118,000)

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6 FIXED ASSET INVESTMENTS (Contd.)

An impairment review of the fixed asset investment was undertaken at 31st July 2007. The following provisions are held

- 1 The provision at 31st July 2007 in respect of the investment in Industria John Crane de Mexico SA was £765,000 (2006 £765,000)

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

7 DEBTORS

	<u>2007</u> £000	<u>2006</u> £000
Amounts falling due within one year		
Loan	73	73
Amounts owed by the parent undertaking	<u>6,333</u>	<u>6,215</u>
	<u>6,406</u>	<u>6,288</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) Limited.

There are no terms of repayment for the amounts owed by the parent undertaking and interest is receivable at the base rate less ½%

8 CREDITORS

	<u>2007</u> £000	<u>2006</u> £000
Amounts falling due within one year		
Amounts owed to ultimate parent undertaking	<u>(104)</u>	<u>(90)</u>
	<u>(104)</u>	<u>(90)</u>

The amounts owed to the ultimate parent undertaking are non-interest bearing and have no fixed term for repayment.

9 SHARE CAPITAL

	2007 and 2006			
	Authorised		Allotted, called up and fully paid	
	Number	£000	Number	£000
Ordinary shares of £1 each	100,000	100	75,000	75

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

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
At 5 th August 2006	75	8,102	8,177
Profit for the period	-	508	508
At 31 st July 2007	75	8,610	8,685

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, Mandy, Cardiff CF4 3UZ