

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st JULY 2008

Registered Number 394688

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FLEXIBOX INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and audited accounts for the year ended 31st July 2008.

Business review and principal activities

The Company's principal activity is that of 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. There has been no significant change in this activity during the period.

Results and Appropriations

The results for the period show a post-tax profit of £982,000 (2007: £508,000) for the year. The Company has not paid any dividends during the year (2007: £nil).

Directors

The Directors during the period were:

Name

Mr D A Penn

Mr R J Paddison

Mrs S L O'Brien – resigned 31/07/08

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.

Auditors and disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that:

(a) so far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and

(b) the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



R. J. Paddison

Director

Date: 21st November 2008

FLEXIBOX INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FLEXIBOX INTERNATIONAL LIMITED

We have audited the financial statements of Flexibox International Limited for the year ended 31st July 2008 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 2008 and of its profit for the year 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.

PricewaterhouseCoopers LLP

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

21st November 2008

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st July 2008

	<u>Notes</u>	<u>Year ended</u> <u>31st July 2008</u> <u>£'000</u>	<u>Period ended</u> <u>31st July 2007</u> <u>£'000</u>
Administrative expenses		-	(6)
Release of provision for impairment of investments	6	312	-
OPERATING PROFIT / (LOSS)		<u>312</u>	<u>(6)</u>
Income from shares in group undertakings		356	265
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		<u>668</u>	<u>259</u>
Other interest receivable and similar income	2	461	347
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,129</u>	<u>606</u>
Taxation on profit on ordinary activities	5	(147)	(98)
RETAINED PROFIT FOR THE PERIOD	10	<u>982</u>	<u>508</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 profit for the period arose from continuing activities.

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

FLEXIBOX INTERNATIONAL LIMITED

BALANCE SHEET
AT 31st July 2008

	<u>Notes</u>	<u>31st July 2008</u> <u>£'000</u>	<u>31st July 2007</u> <u>£'000</u>
FIXED ASSETS			
Investments	6	1,361	1,044
CURRENT ASSETS			
Debtors – amounts falling due within one year	7	6,406	6,406
Cash at bank and in hand		<u>2,047</u>	<u>1,339</u>
		8,453	7,745
CREDITORS:			
Amounts falling due within one year	8	<u>(147)</u>	<u>(104)</u>
NET CURRENT ASSETS		8,306	7,641
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,667</u>	<u>8,685</u>
CAPITAL AND RESERVES			
Called up share capital	9	75	75
Profit & loss account	10	9,592	8,610
TOTAL SHAREHOLDERS' FUNDS	10	<u>9,667</u>	<u>8,685</u>

Approved by the Board of Directors on 21st November 2008 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

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared in accordance with the Companies Act 1985 and all applicable accounting standards in the United Kingdom (UK GAAP).

These accounts have been prepared on a going concern basis and under the historical cost convention (as modified to include revaluation of certain financial instruments).

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Consolidation

As the Company is a wholly owned subsidiary of Smiths Group plc which prepares publicly available consolidated group accounts, the Company has not prepared consolidated accounts as permitted by s228 of the Companies Act 1985.

Investments

The Company's investments in shares in group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and bank overdrafts.

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 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 are measured at amortised cost using the effective interest method. 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.

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.

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.

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.

FLEXIBOX INTERNATIONAL LIMITED

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling at the date of transaction and monetary assets and liabilities denominated in a foreign currency are retranslated at the closing exchange rate at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the retranslation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Current taxation

The tax on profit on ordinary activities includes amounts paid or received for Group relief in respect of tax losses claimed and surrendered in the current period. All current tax liabilities have been assumed by Smiths Group plc, the ultimate parent Company.

Deferred taxation

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

Deferred tax assets are recognised only when their recovery is considered probable.

Deferred tax is not discounted.

2. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Interest received from parent undertaking	391	308
Interest received from bank	70	39
	<u>461</u>	<u>347</u>

3. OPERATING PROFIT

Auditors' remuneration for 2008 and 2007 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 (2007: £nil).

The Company has no employees (2007: nil).

No Director is accruing retirement benefits under a money purchase pension scheme (2007: nil), but two Directors are accruing retirement benefits under a defined benefit pension scheme (2007: three).

FLEXIBOX INTERNATIONAL LIMITED

5. TAXATION

	<u>2008</u> £'000	<u>2007</u> £'000
Analysis of tax charge on ordinary activities		
United Kingdom		
Current tax	135	104
Prior period adjustment	<u>12</u>	<u>(6)</u>
Tax on profit on ordinary activities	<u>147</u>	<u>98</u>

The tax for the period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	<u>2008</u> £'000	<u>2007</u> £'000
Profit on ordinary activities before taxation	<u>1,129</u>	<u>606</u>
UK corporation tax at 29.33% (2007:30%)	331	182
Effects of:		
Expenses not deductible for tax purposes		2
Income not subject to UK taxation	(196)	(80)
Adjustment to tax in respect of prior period	<u>12</u>	<u>(6)</u>
	147	98
Group relief surrendered from/(to) fellow subsidiary		
- current year	(135)	(104)
- prior year	(12)	6
Group relief payment	<u>147</u>	<u>98</u>
Total current tax	<u>147</u>	<u>98</u>

Income not subject to UK taxation includes tax on overseas dividends of £104,000 (2007: £80,000), for which the UK tax liability is offset by a credit for tax incurred overseas.

FLEXIBOX INTERNATIONAL LIMITED

6. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings	Fixed Asset Investments	Total
	£'000	£'000	£'000
Cost:			
At 1 st August 2007	2,096	881	2,977
Acquisition	-	5	5
At 31st July 2008	2,096	886	2,982
Amounts provided:			
At 1 st August 2007	(1,168)	(765)	(1,933)
Released during the period	-	312	312
At 31st July 2008	(1,168)	(453)	(1,621)
Net book value:			
At 31st July 2008	928	433	1,361
At 31 st July 2007	928	116	1,044

The subsidiary undertakings of Flexibox International Limited at 31st July 2008 were:

	Country of Incorporation	% of Equity Shares Held
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 investments held by Flexibox International Limited at 31st July 2008 were:

Industria John Crane de Mexico SA	Mexico	10% of equity shares
John Crane (Angola) Prestacao De Servicos Limitada	Angola	10% of equity shares

During 2008, a 10% investment was made in John Crane (Angola) Prestacao De Servicos Limitada, which represents 1 ordinary share, with a nominal value of 10,000 US dollar. The company is principally engaged in the manufacture of mechanical seals and flexible power transmission couplings.

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 (2007: £118,000).

FLEXIBOX INTERNATIONAL LIMITED

6. FIXED ASSET INVESTMENTS (continued)

An impairment review of the fixed asset investments was undertaken at 31st July 2008. The following provisions are held:

1. The provision at 31st July 2008 in respect of the investment in Industria John Crane de Mexico SA. was £453,000 (2007: £765,000).

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

7. DEBTORS

	<u>2008</u> £'000	<u>2007</u> £'000
Amounts falling due within one year:		
Loan	73	73
Amounts owed by the parent undertaking	<u>6,333</u>	<u>6,333</u>
	<u>6,406</u>	<u>6,406</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>2008</u> £'000	<u>2007</u> £'000
Amounts falling due within one year:		
Amounts owed to ultimate parent undertaking	<u>(147)</u>	<u>(104)</u>
	<u>(147)</u>	<u>(104)</u>

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

FLEXIBOX INTERNATIONAL LIMITED

9. SHARE CAPITAL

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Authorised:		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and fully paid:		
75,000 ordinary shares of £1 each	<u>75</u>	<u>75</u>

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

	<u>Share Capital</u> <u>£'000</u>	<u>Profit & Loss Account</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 st August 2007	75	8,610	8,685
Profit for the period	-	982	982
At 31 st July 2008	<u>75</u>	<u>9,592</u>	<u>9,667</u>

11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by Paragraph 3(c) of 'FRS 8: Related party disclosures' not to disclose transactions with entities that are part of Smiths Group plc.

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

For the year ended 31st July 2008, Flexibox International Limited was a wholly owned subsidiary of EIS Group plc

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Smiths Group plc is incorporated in the United Kingdom and is registered in England and Wales.

The annual report and accounts of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, 765 Finchley Road, London NW11 8DS.