

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 2nd AUGUST 2003



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 2nd August 2003.

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 2nd August 2003 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 year are set out in the Profit and Loss Account on page 4. The Board proposes a final dividend of £22,500,000 be declared (2002: nil) and accordingly the loss of £22,640,000 (2002: £582,000 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

Directors' Interests

As at 2nd August 2003, 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 2003</u>	<u>Smiths Group plc 2002</u>	<u>Smiths Group plc 2003</u>	<u>Granted In the Period</u>	<u>Exercised / Lapsed In the Period</u>	<u>Smiths Group plc 2002</u>
Mr G M Norris	33,450	31,777	112,123	31,673	-	80,450
Mr D A Penn	-	-	45,410	10,364	(2,005)	37,051
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.

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

FLEXIBOX INTERNATIONAL LIMITED

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.

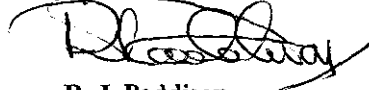
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 2nd August 2003 and that applicable accounting standards have 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

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

By order of the Board



R. J. Paddison
Company Secretary

1st December 2003

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.

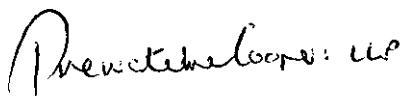
Basis of audit opinion

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 2nd August 2003 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
1st December 2003

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 2nd AUGUST 2003

	<u>Notes</u>	<u>2003</u> £000	<u>2002</u> £000
Turnover		-	-
Operating costs			
- Ongoing		-	(11)
- Provision for impairment of fixed assets		(419)	(1,317)
Other operating income		4	10
OPERATING (LOSS)		<u>(415)</u>	<u>(1,318)</u>
Income from shares in group undertakings		285	-
Profit on sale of fixed asset investments		-	728
(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		<u>(130)</u>	<u>(590)</u>
Other interest receivable and similar income	2	-	8
Interest payable and similar charges	2	(18)	-
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(148)</u>	<u>(582)</u>
Taxation on (loss) on ordinary activities	5	<u>8</u>	<u>-</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(140)</u>	<u>(582)</u>
Final dividend proposed		(22,500)	-
RETAINED (LOSS) FOR THE PERIOD	10	<u>(22,640)</u>	<u>(582)</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.

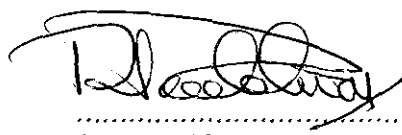
The notes on pages 6 to 10 form part of these accounts.

FLEXIBOX INTERNATIONAL LIMITED

BALANCE SHEET

	Notes	<u>2003</u> £000	<u>2002</u> £000
FIXED ASSETS			
Investments	6	3,533	4,125
CURRENT ASSETS			
Debtors – amounts falling due within one year	7	320	312
Debtors – amounts falling due after more than 1 year	7	73	73
Cash at bank and in hand		21,314	20,911
		21,707	21,296
CREDITORS:			
Amounts falling due within one year	8	(22,670)	(211)
NET CURRENT (LIABILITIES)/ASSETS		(963)	21,085
TOTAL ASSETS LESS CURRENT LIABILITIES		2,570	25,210
CAPITAL AND RESERVES			
Called up share capital	9	75	75
Profit & loss account	10	2,495	25,135
EQUITY SHAREHOLDERS' FUNDS		2,570	25,210

Approved by the Board of Directors on 1st December 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 on settlement 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 permanent or temporary diminutions in value. Diminutions in value are charged or credited to the profit and loss account as they arise.

(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>2003</u> £000	<u>2002</u> £000
Interest receivable from subsidiary and associated undertakings	-	8
<u>Interest Payable</u>		
Interest Payable	(18)	-

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 company on the net cash balance in a number of Smith Group plc's subsidiaries bank accounts.

FLEXIBOX INTERNATIONAL LIMITED

3. **AUDITORS' REMUNERATION**

Auditors' remuneration for 2003 and 2002 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 (2002: £nil).

The Company has no employees (2002: nil).

5. **TAXATION**

	<u>2003</u> £000	<u>2002</u> £000
Profit/(Loss) on ordinary activities before tax	(148)	(582)
Corporation taxation at 30% (2002: 30%)	(44)	(174)
Effect of:		
Items not allowable for tax purposes	36	174
Current tax credit for year	(8)	-

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

6. **FIXED ASSET INVESTMENTS**

	Subsidiary Undertakings	Fixed Asset Investments		Total
	Shares £000	Shares £000	Loans £000	£000
Cost:				
At 3 rd August 2002	3,943	1,491	173	5,607
Repayments	-	-	(173)	(173)
At 2 nd August 2003	3,943	1,491	-	5,434
Amounts provided:				
At 3 rd August 2002	(1,309)	-	(173)	(1,482)
Provided during year	(592)	-	173	(419)
At 2 nd August 2003	(1,901)	-	-	(1,901)
Net book value:				
At 2 nd August 2003	2,042	1,491	-	3,533
At 3 rd August 2002	2,634	1,491	-	4,125

FLEXIBOX INTERNATIONAL LIMITED

6. **FIXED ASSET INVESTMENTS (Contd.)**

The subsidiary undertakings of Flexibox International Limited at 2nd August 2003 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%

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 2nd August 2003 were:

John Crane Canada Inc	Canada	0.82% of equity shares
Industrias John Crane de Mexico SA	Mexico	10% of equity shares

During the year the loan from the company to Smiths Brasil Ltda was repaid.

An impairment review of all fixed asset investments was undertaken at 2nd August 2003. The following provisions are held:

1. £1,079,000 has been provided in respect of the investment in John Crane Argentina. (2002: £1,309,000).
2. £276,000 has been provided in respect of the investment in Industrias John Crane de Mexico SA. (2002: £nil).
3. £546,000 has been provided in respect of the investment in John Crane Canada Inc. (2002: £nil)

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

FLEXIBOX INTERNATIONAL LIMITED

7. DEBTORS

	<u>2003</u> £000	<u>2002</u> £000
Amounts falling due within one year:		
Corporation Tax	8	-
Amounts owed by ultimate parent undertaking	312	312
	<u>320</u>	<u>312</u>
Amounts falling due after more than 1 year:		
Loan	73	73

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>2003</u> £000	<u>2002</u> £000
Amounts falling due within one year:		
Amounts owed to fellow subsidiary undertakings	170	176
Final dividend payable	22,500	-
Other creditors	-	35
	<u>22,670</u>	<u>211</u>

9. SHARE CAPITAL

	2003 and 2002			
	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 3 rd August 2002	75	25,135	25,210
Loss for the period		(22,640)	(22,640)
At 2 nd August 2003	75	2,495	2,570

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.