

FLEXIBOX INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1996



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 1996.

<u>Results</u>	<u>£000</u>
Profit on Ordinary Activities for the Year Before Taxation	1,299
Taxation	(503)
Profit After Taxation	<hr/> 796
Dividend Proposed	(700)
Retained Profit Brought Forward	1,787
Exchange Differences on Investments	(233)
Retained Profit Carried Forward	<hr/> <hr/> 1,650

Activities

The Company acts as an investment parent undertaking and received investment income during the year. The Company's subsidiary and associated undertakings are principally engaged in the manufacture of mechanical seals and flexible power transmission couplings.

Directors

The Directors during the year were:

Name

Mr P J K Haslehurst
Mr F K Wright
Mr J Hanson
Mr D C Mitchell
Mr R T Gant
Mr J J Hobbs
Mr G Picca
Mr F Suraud

Messrs J Hanson, F K Wright and F Suraud retire by rotation and, being eligible, offer themselves for re-election.

FLEXIBOX INTERNATIONAL LIMITED

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	
	1996	1995	1996	1995
Mr J Hanson	9,176	9,176	25,808	25,808
Mr D C Mitchell	1,000	2,546	20,175	20,175
Mr R T Gant	3,531	3,531	10,000	10,000
Mr G Picca	-	-	-	-
Mr F Suraud	-	-	-	-

The interests of Messrs P J K Haslehurst, J J Hobbs and F K Wright in the share capital of the ultimate parent undertaking are shown in the Directors' report of that Company. The Directors' interests were beneficially owned.

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 satisfactory year.

Charitable and Political Donations

No charitable donations were made during the year. No political donations were made.

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.

FLEXIBOX INTERNATIONAL LIMITED

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.

ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read 'JH', is written over a horizontal line.

J HANSON
Company Secretary

26 MARCH 1997

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 pages 2 and 3 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

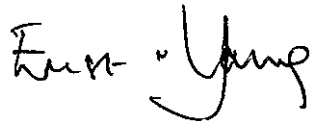
Basis of Opinion

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
Manchester

29 April 1997

FLEXIBOX INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

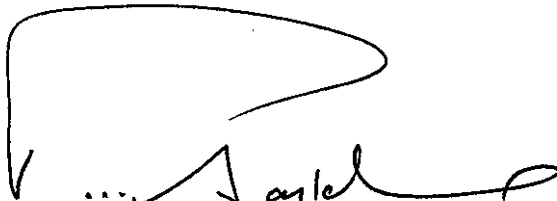
	<u>Notes</u>	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Income from Investments	2	1,115	1,071
Interest Receivable	3	196	188
Other Charges		(12)	(10)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,299	1,249
Taxation on Profit on Ordinary Activities	5	(503)	(471)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		796	778
Dividend	6	(700)	(750)
RETAINED PROFIT FOR THE YEAR		96	28
 <u>Recognised Gains and Losses</u>			
		<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Profit attributable to the members of the parent company		796	778
Exchange differences on translations of investments		(233)	26
Total recognised gains and losses relating to the year		563	804

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

FLEXIBOX INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £000	<u>1995</u> £000
FIXED ASSETS			
Investments	7	5,880	5,828
CURRENT ASSETS			
Debtors	8	-	22
Cash at Bank and In Hand		9	2
		9	24
CREDITORS:			
Amounts Falling Due Within One Year	9	(782)	(824)
NET CURRENT LIABILITIES		<u>(773)</u>	<u>(800)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,107</u>	<u>5,028</u>
CREDITORS:			
Amounts Falling Due After More Than One Year	9	(3,382)	(3,166)
		<u>1,725</u>	<u>1,862</u>
CAPITAL AND RESERVES			
Called Up Share Capital	10	75	75
Profit & Loss Account	11	1,650	1,787
		<u>1,725</u>	<u>1,862</u>




P J K Haslehurst

F K Wright

26 MARCH 1997

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 EIS Group PLC, a company incorporated in the United Kingdom.

A statement of cash flows in accordance with FRS1 has not been prepared as the Company is a wholly owned subsidiary of EIS 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 associate 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 associate 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>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
Dividends received from subsidiary and associated undertakings	<u>1,115</u>	<u>1,071</u>

FLEXIBOX INTERNATIONAL LIMITED

3. **INTEREST RECEIVABLE**

	<u>1996</u> £000	<u>1995</u> £000
Interest receivable from subsidiary and associate undertakings	<u>196</u>	<u>188</u>

4. **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging the following items:

	<u>1996</u> £000	<u>1995</u> £000
Auditors' remuneration - audit	11	10
Auditors' remuneration - non-audit	nil	nil
Directors' remuneration (including pension contributions)	nil	nil
Chairman	nil	nil
Highest paid Director		
- executive emoluments	nil	nil
	<u>Number</u>	<u>Number</u>
Number of directors whose remuneration, excluding pension contributions, were within the range		
£0 - 5,000	8	8

5. **TAXATION**

	<u>1996</u> £000	<u>1995</u> £000
Taxation based on the profit for the year:		
Corporation taxation at 33%	435	413
Overseas taxation	442	416
	<u>877</u>	<u>829</u>
Less: Relief for overseas taxation	(374)	(358)
	<u>503</u>	<u>471</u>

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6. DIVIDENDS

	<u>1996</u> £000	<u>1995</u> £000
Ordinary - final proposed	<u>700</u>	<u>750</u>

7. FIXED ASSET INVESTMENTS

	<u>Associate</u> <u>Undertakings</u>		<u>Subsidiary</u> <u>Undertakings</u>		<u>Total</u> <u>£000</u>
	<u>Shares</u> <u>£000</u>	<u>Loans</u> <u>£000</u>	<u>Shares</u> <u>£000</u>	<u>Loans</u> <u>£000</u>	
Cost:					
At 1 January 1996	113	39	3,114	2,986	6,252
Exchange difference	-	(4)	-	(245)	(249)
Repayments	(2)	(35)	-	(395)	(432)
Additions	-	-	-	436	436
New share capital*	-	-	291	-	291
Transfers	(5)	-	5	-	-
At 31 December 1996	<u>106</u>	<u>-</u>	<u>3,410</u>	<u>2,782</u>	<u>6,298</u>
Amounts written off:					
At 1 January 1996	-	-	298	126	424
Written off during year	-	-	-	6	6
Exchange difference	-	-	-	(12)	(12)
At 31 December 1996	<u>-</u>	<u>-</u>	<u>298</u>	<u>120</u>	<u>418</u>
Net book value:					
At 31 December 1996	<u>106</u>	<u>-</u>	<u>3,112</u>	<u>2,662</u>	<u>5,880</u>
At 1 January 1996	<u>113</u>	<u>39</u>	<u>2,816</u>	<u>2,860</u>	<u>5,828</u>

* During the year the Company invested in new share capital in Flexibox (Thailand) Company Limited and Flexibox Korea Limited and Flexibox Oy, Finland and purchased 1% of the share capital of Flexibox BV.

The subsidiary undertakings of Flexibox International Limited at 31 December 1996 were:

	<u>Country of</u> <u>Incorporation</u>	<u>% of Equity</u> <u>Shares Held</u>
Flexibox Pty Limited	Australia	100%
Flightsparcs Pty Limited *	Australia	100%
Flexibox do Brasil Ind E Com Ltda	Brasil	100%
Flexibox (Canada) Inc	Canada	100%
Flexibox Oy	Finland	100%

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Flexibox SA	France	100%
Flexibox GmbH	Germany	100%
Flexibox SpA	Italy	100%
Eurelec Italia SRL **	Italy	100%
Flexibox Japan Limited	Japan	100%
Flexibox Korea Limited	Korea	60%
Flexibox SA	Mexico	100%
Flexibox BV	Netherlands	51%
Flexibox AS	Norway	100%
Flexibox (Pte) Limited	Singapore	100%
Flexibox (Pty) Limited	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 ***	Venezuela	34%

* Flightspares Pty Limited is a subsidiary undertaking of Flexibox Pty Limited.

** Eurelec Italia SRL is a subsidiary undertaking of Flexibox SpA (Italy).

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

The associate undertakings of Flexibox International Limited at 31 December 1996 were:

	<u>Country of Incorporation</u>	<u>% of Equity Shares Held</u>
Flexibox Argentina SA	Argentina	50%
Fluidrive (Canada) Inc *	Canada	50%
Triveni Flexibox Limited	India	50%

* Fluidrive (Canada) Inc is an associate undertaking of Flexibox (Canada) Inc.

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

8. DEBTORS

	<u>1996</u> £000	<u>1995</u> £000
Amounts falling due within one year:		
Other debtors	-	22
	<u>-</u>	<u>22</u>

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9. CREDITORS

	<u>1996</u> £000	<u>1995</u> £000
Amounts falling due within one year:		
Corporation tax	61	54
Other creditors	21	20
Dividend payable	700	750
	<u>782</u>	<u>824</u>
Amounts falling due after one year:		
Amounts owed to parent undertaking	2,395	1,463
Amounts owed to fellow subsidiary undertakings	987	1,703
	<u>3,382</u>	<u>3,166</u>

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

10. SHARE CAPITAL

	<u>1995 and 1996</u>			
	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>Number</u>	<u>£</u>	<u>Number</u>	<u>£</u>
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>75,000</u>	<u>75,000</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total</u>
At 1 January 1995	75	1,733	1,808
Profit for the year	-	778	778
Dividend	-	(750)	(750)
Exchange difference on retranslation of investments	-	26	26
	<u>75</u>	<u>1,787</u>	<u>1,862</u>
At 1 January 1996	-	796	796
Profit for the year	-	(700)	(700)
Dividend	-		
Exchange difference on retranslation of investments	-	(233)	(233)
	<u>75</u>	<u>1,650</u>	<u>1,725</u>
At 31 December 1996			

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14. **ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is EIS 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 EIS Group PLC. Copies of EIS Group PLC accounts can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.