

TI INTERNATIONAL HOLDINGS LIMITED
(REGISTERED NUMBER 1085153)

DIRECTORS' REPORT AND ACCOUNTS
31 July 2001



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TI INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JULY 2001

The Directors present their annual report and accounts for the period of seven months ended 31 July 2001.

BUSINESS REVIEW

The principal activity of the Company is the holding of overseas investments.

There has been no significant change in this activity during the period, and it is not envisaged that the Company will initiate any material departures from its present business. The Company has no employees.

CHANGE OF ACCOUNTING POLICY

Investments in subsidiary companies and other participating interests are held in the balance sheet at local currency cost converted to Sterling at closing balance sheet rates, less any necessary provision for permanent diminution in value.

It was the Company's previous practice to revalue investments in subsidiary companies at each balance sheet date by reference to the underlying net asset value of each subsidiary, converted at closing exchange rates. With effect from 1 January 2001, a more comparable accounting policy has been adopted, and these investments are now recorded in the balance sheet at historical cost, less any necessary provisions for permanent diminution in value. Loans and advances to those companies were included in the above review, and have been restated at anticipated net realisable value.

Due to the substantial restructuring required to facilitate the demerger of TI Automotive Limited on 3 July 2001, the directors are of the opinion that it was not practicable to evaluate the Company's ongoing interests on a basis consistent with that employed in previous years, and for this reason no table has been provided disclosing the effect of the above change in accounting policy.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. The Board recommends that no dividend is paid for the financial year (2000 : £nil).

TI INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JULY 2001 (continued)

DIRECTORS AND THEIR INTERESTS

The Directors of the Company who served during the period were as follows:

J R Edwards
D P Lillycrop
G M Norris

The beneficial interests of the Directors in shares and options of Smiths Group plc during the period were as follows:

	<u>Ordinary shares</u>		<u>Ordinary shares under option</u>			
	<u>31 July 2001</u>	<u>1 Jan 2001</u>	<u>1 Jan 2001 *</u>	<u>Options Granted</u>	<u>Options Exercised</u>	<u>31 July 2001</u>
J R Edwards	87,593	87,593	232,439	-	-	232,439
D P Lillycrop	68,158	64,922	414,428	42,700	-	457,128
G M Norris	52,797	52,797	59,704	-	(8,734)	50,970

* Smiths Group plc equivalent of TI Group plc share options converted on 14 March 2001.

Options were originally granted under the TI Group (1990) Executive Share Option Scheme, the TI Group 1999 Share Option Scheme, the TI (1981) Savings-Related Share Option Scheme and the TI Group (1994) Savings-Related Share Option Scheme. Further information on share options may be found in the annual report of Smiths Group plc.

None of the Directors had any beneficial interest in the shares of the Company.

AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors and resolutions proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By Order of the Board



G. M. Norris
Director
5 October 2001

TI INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements 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 financial statements, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

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 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 these financial statements comply with these requirements.

TI INTERNATIONAL HOLDINGS LIMITED

Independent auditors' report to the members of TI International Holdings Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 on page 3.

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.

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.

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 31st July 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
5th October 2001

TI INTERNATIONAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD OF SEVEN MONTHS ENDED 31 JULY 2001

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>(Restated)</u> <u>£'000</u>
Operating costs	2	<u>(31,000)</u>	<u>(53,143)</u>
OPERATING LOSS		(31,000)	(53,143)
Income from investments:			
Dividends from subsidiary undertakings		136	121
Dividends from other participating interests		-	59
Exceptional items:			
Gains on sales of subsidiary undertakings and participating interests		2,504	-
Exchange gains/(losses)	3	<u>(102)</u>	<u>539</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(28,462)	(52,424)
Interest receivable (net)	4	<u>12,271</u>	<u>22,061</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(16,191)	(30,363)
Taxation	5	<u>(209)</u>	<u>(11)</u>
LOSS FOR THE PERIOD		(16,400)	(30,374)
Dividends		-	-
RETAINED LOSS		(16,400)	(30,374)

The above results all arose from continuing operations.

The notes on pages 8 to 13 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Profit / (loss) for the period		(16,400)	(30,374)
Exchange variations		(11,939)	(1,227)
Total recognised gains and losses for the period		<u>(28,339)</u>	<u>(31,601)</u>
Restatement of investments to original cost		(346,286)	-
Total recognised gains and losses		<u>(374,625)</u>	<u>(31,601)</u>

It was the Company's previous practice to revalue investments in subsidiary companies at each balance sheet date by reference to the underlying net asset value of each subsidiary, converted at closing exchange rates. With effect from 1 January 2001, a more comparable accounting policy has been adopted, and these investments are now recorded in the balance sheet at local currency cost converted to Sterling at closing balance sheet rates, less any necessary provisions for permanent diminution in value.

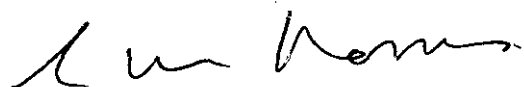
The comparative figures for 31 December 2000 have been restated accordingly. Due to the substantial restructuring which took place to facilitate the demerger of TI Automotive Limited on 3 July 2001, it has not been practicable to calculate the values that would have subsisted but for this change in accounting policy.

TI INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET - 31 JULY 2001

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>(Restated)</u> <u>£'000</u>
FIXED ASSETS			
Investments	6	<u>627,319</u>	<u>661,934</u>
CURRENT ASSETS			
Debtors			
- falling due within one year	7	5,809	3,039
- falling due after one year	7	322,062	746,103
Cash		<u>1,702</u>	<u>16,964</u>
		<u>329,573</u>	<u>766,106</u>
CREDITORS (amounts falling Due within one year)	8	<u>(111,067)</u>	<u>(171,741)</u>
NET CURRENT ASSETS		<u>218,506</u>	<u>594,365</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>845,825</u>	<u>1,256,299</u>
CREDITORS (amounts falling due after more than one year)	9	<u>(72,432)</u>	<u>(454,567)</u>
NET ASSETS		<u>773,393</u>	<u>801,732</u>
CAPITAL AND RESERVES			
Called up equity share capital	10	397,756	397,756
Share premium account	11	461,000	461,000
Profit and loss account	11	(85,363)	(57,024)
TOTAL SHAREHOLDERS' FUNDS		<u>773,393</u>	<u>801,732</u>

Approved by the Board on 5 October 2001



G M Norris
Director

The notes on pages 8 to 13 form part of these accounts.

TI INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 2001

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, and comply with applicable Accounting Standards.

(1) Group accounts

Group accounts have not been prepared as permitted by section 228 of the Companies Act 1985 because the Company is a wholly owned subsidiary of another company incorporated in England.

(2) Foreign currencies

Assets (other than fixed asset investments) and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange variations on loans to finance fixed asset investments are taken to reserves; other exchange variations are written off to the profit and loss account.

(3) Investments

Investments in subsidiary undertakings and other participating interests included in the balance sheet are shown at local currency cost converted to Sterling at closing balance sheet rates, less any necessary provisions for permanent diminution in value. Exchange variations arising on conversion are taken to reserves.

(4) Deferred taxation

Deferred taxation relating to short-term timing differences is provided for in the financial statements only in so far as a liability is expected to crystallise.

2. OPERATING COSTS

Operating costs for 2001 included a management charge payable to another Smiths Group undertaking of £31,000k (2000 : £53,140k).

None of the Directors of the Company received any remuneration in respect of their services as Directors of the Company. Audit fees were borne by another Smiths Group undertaking.

Auditors' remuneration for non-audit services was £nil (2000 : £nil).

3. EXCHANGE GAINS/(LOSSES)

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Realised gains / (losses)		
Trading	(102)	539
Unrealised losses	-	-
Net exchange losses	<u>(102)</u>	<u>539</u>

TI INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 2001 (continued)

4.	INTEREST RECEIVABLE (NET)	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
	Interest receivable from immediate parent undertaking	30,161	45,244
	Interest payable to immediate parent and fellow subsidiary undertakings	(18,218)	(20,888)
	External interest payable – loans	(282)	(5,317)
	External interest receivable – deposits	610	3,022
		<u>12,271</u>	<u>22,061</u>

5. TAXATION

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Withholding tax on overseas dividends	(9)	(11)
Adjustments in respect of prior years	(200)	-
	<u>(209)</u>	<u>(11)</u>
Deferred taxation	-	-
	<u>(209)</u>	<u>(11)</u>

TI INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 2001 (continued)

6. INVESTMENTS

	<u>Subsidiary</u> <u>undertakings</u> <u>£'000</u>	<u>Other</u> <u>Participating</u> <u>Interests</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>Shares at cost</u>			
At 1 January 2001 (as restated)	661,628	306	661,934
Additions	11,209		11,209
Disposals	(32,529)	(306)	(32,835)
Exchange adjustments	(12,989)		(12,989)
At 31 July 2001	<u>627,319</u>	<u>-</u>	<u>627,319</u>

A further investment of £11,209k was made in Busak & Shamban Holdings BV.

VARI-FORM Inc, S&H Fabricating of Canada, and the participating interest, a shareholding in Tube Investments of India Ltd, were disposed of during the year.

The Company holds the share capital of the following companies. In order to avoid particulars of excessive length, this list excludes a number of comparatively small subsidiaries and other investments whose contribution to the profit and assets of the Company is not significant.

<u>Company name</u>	<u>Country of incorporation</u>	<u>Percentage of nominal value of ordinary shares held</u>
John Crane Australia Pty Ltd	Australia	24.5% *
TI Group Insurance Ltd	Guernsey	100%
Busak+Shamban Holdings BV	Netherlands	100%
TI Holdings (Netherlands) BV	Netherlands	100%
John Crane (Switzerland) AG	Switzerland	45.5% *
Thermal Scientific Inc	USA	17.7% *

* Remainder of shares held by another TI Group company.

The Directors believe the investments are worth not less than book value.

TI INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 July 2001 (continued)

7. DEBTORS

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>(Restated)</u> <u>£'000</u>
Amounts falling due within one year:		
Foreign exchange contracts	244	1,605
Amounts owed by immediate parent and other group undertakings	5,533	1,380
Other debtors	32	31
Corporation tax	-	23
	<u>5,809</u>	<u>3,039</u>
Amounts falling due after one year:		
Amounts owed by immediate parent undertaking	<u>322,062</u>	<u>746,103</u>
	<u>322,062</u>	<u>746,103</u>
Total debtors	<u>327,871</u>	<u>749,142</u>

The amounts owed by the parent undertaking falling due after one year are governed by loan agreements which specify repayment on 31 December 2004 and 28 May 2005 and carry interest at market rates.

8. CREDITORS (amounts falling due within one year)

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>(Restated)</u> <u>£'000</u>
Bank overdrafts	75,175	16
Amounts owed to group undertakings	35,757	170,917
Withholding tax payable	9	100
Accruals and deferred income	22	331
Foreign exchange contracts	104	377
	<u>111,067</u>	<u>171,741</u>

9. CREDITORS (amounts falling due after more than one year)

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>(Restated)</u> <u>£'000</u>
Loans from other group undertakings	72,432	-
Amounts owing to immediate parent undertaking	-	454,567
	<u>72,432</u>	<u>454,567</u>

TI INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 2001 (continued)

10. EQUITY SHARE CAPITAL

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Authorised:		
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>397,756</u>	<u>397,756</u>

11. RESERVES

	<u>Share</u> <u>Premium</u> <u>Account</u> <u>£'000</u>	<u>Profit</u> <u>and Loss</u> <u>Account</u> <u>£'000</u>	<u>Total</u> <u>2001</u> <u>£'000</u>	<u>Total</u> <u>2000</u> <u>£'000</u>
Balance at 1 January (as restated)	461,000	(57,024)	403,976	406,863
Issue of shares				375,000
Total recognized gains and losses for the period		(28,339)	(28,339)	(377,887)
Balance at 31 July / 31 December	<u>461,000</u>	<u>(85,363)</u>	<u>375,637</u>	<u>403,976</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Shareholders' funds at 1 January	801,732	779,619
Issue of shares		400,000
Total recognised gains and losses for the period	<u>(28,339)</u>	<u>(31,601)</u>
Shareholders' funds at 31 July	773,393	1,148,018
Restatement of investments	<u>773,393</u>	<u>(346,286)</u>
	<u>773,393</u>	<u>801,732</u>

NOTES TO THE ACCOUNTS - 31 JULY 2001 (continued)

13. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is TI Group plc. The ultimate parent undertaking and controlling party is Smiths Group plc. Both of these companies are registered in England and Wales. Copies of the accounts of Smiths Group plc can be obtained from the company's registered office at 765 Finchley Road, London NW11 8DS.

The smallest and largest group into which the results of the company are consolidated is headed by Smiths Group plc.

14. CASH FLOW STATEMENTS

A cash flow statement for the Company is not presented as the financial statements of the ultimate holding company, Smiths Group plc, include a consolidated cash flow statement prepared in accordance with Financial Reporting Standard 1 (revised).

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided by Paragraph 3(c) of Financial Reporting Standard 8 ("FRS8") not to disclose transactions with entities that are part of Smiths Group plc.

There are no other related party transactions requiring disclosure in this year's accounts in accordance with FRS8.

As explained in note 13, the Company is ultimately controlled by Smiths Group plc.