

Registered number: 480992

# SMITHS DETECTION WATFORD LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

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**SMITHS DETECTION - WATFORD LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	M G Audette S J Payne
<b>Registered number</b>	480992
<b>Registered office</b>	Century House Maylands Avenue Hemel Hempstead Hertfordshire HP27DE
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 10 Bricket Road St Albans Hertfordshire AL1 3JX

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JULY 2017**

**Introduction**

The directors present their strategic report on Smiths Detection - Watford Limited ("the Company") for the year ended 31 July 2017.

**Business review and principal activities**

The Company's principal activities in the year were those of the design, manufacture and selling of trace chemical detection products and integrated systems into military and emergency responders markets, and the distribution and service of X-ray detection equipment into critical infrastructure and transportation markets. The Company operates within the Detection Division of Smiths Group plc ("the Group"). There have been no material changes in these activities during the year.

The results for the year show turnover of £62,937k (2016: £65,190k) and operating loss of £4,859k (2016: loss £883k) for the year. The movement in turnover reflects a decrease in chemical and biological product sales, due to a major contract ending. CXS sales have remained constant, due to customers waiting for technological developments. Trace products are continuing to become an increasingly greater part of our business with sales growing from 43% in 2016 to 51% in 2017.

Amounts due to group undertakings include £35,072k (2016: £22,872k) owed to the holding company, Smiths Detection Group Limited, which at the year end was repayable on 31 July 2022 or on demand.

**Principal risks and uncertainties**

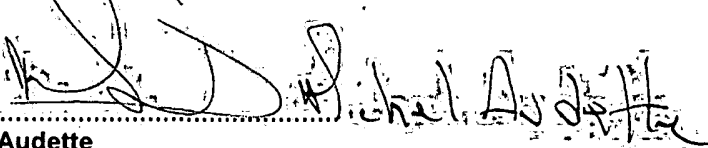
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are: markets served by the Company are particularly influenced by the political landscape, specific events and the perception of the threat of terrorist activity or other security issues. This political landscape and perception is likely to remain variable.

The business mitigates these commercial and operational risks through the continual development of innovative products and market leading technologies in all of its key markets.

**Key performance indicators**

The directors of Smiths Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Detection Division of Smiths Group plc, which includes the Company, is discussed in the Business Review section of the Group's Annual report which does not form part of this report.

This report was approved by the board and signed on its behalf.

  
M Audette  
Director

Date: 20 Sept 17

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## SMITHS DETECTION - WATFORD LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2017

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The directors present their report and the audited financial statements for the year ended 31 July 2017.

The loss for the financial year amounted to £5,934k (2016 - loss £1,702k).

No dividends were paid in the year ended 31 July 2017 (2016: £nil). The directors do not recommend the payment of a final dividend.

#### Financial risk management

The Company is financed by the wider Smiths group and complies with the Group financial risk management policies. These policies are explained in the treasury section of the Business Review and the Financial Instruments note included in the Group's Annual report which does not form part of this report.

#### Operational credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before credit terms are offered. Customer credit limits are set based on credit ratings, past experience and other factors and subject to regular review.

Concentrations of credit risk with respect to trade debtors are limited due to the Company's diverse customer base.

#### Foreign exchange risks

The Company makes a proportion of its sales and purchases in foreign currencies, principally US Dollars, Euros, Canadian Dollars and Swiss Francs. The resulting foreign exchange risks are managed through natural hedging and the use of financial instruments.

#### Directors

The directors who served during the year were:

M G Audette  
S J Payne (appointed 22 April 2017)  
L Liu (resigned 22 April 2017)

#### Land and buildings

The Company physically relocated its entire Watford operation to new leased premises in Hemel Hempstead during October 2016 (Financial Year 2017). The Sale and Lease back agreement that was operating on the old facility ceased at that time.

#### Future developments

It is not envisaged that the Company will initiate any plans to restructure its principal activity in the forthcoming year. The current level of performance is expected to be maintained.

#### Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Smiths Detection Group Limited. The directors have received confirmation that Smiths Detection Group Limited intends to support the Company for at least one year after these financial statements are signed.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2017**

**Research and development**

Products are being continually upgraded to provide greater levels of threat detection and to meet the customers' most demanding requirements. The total research and development spend for the year was £5,272k (2016: £2,356k). The Company is investing mainly in new chemical and explosive detection products.

The Company carries out research and development projects for governments and commercial customers.

**Employment policies**

It is the Company's policy to provide equal opportunities for employment. The Company continues to be actively involved in all aspects of the training and development of young persons, including initiatives designed to ease the transition from school to work. Disabled people are given full consideration for employment and subsequent training (including re-training, if needed, for people who have become disabled), career development and promotion on the basis of their aptitudes and abilities.

Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of Employee Councils; Information and Consultation forums; and other consultative bodies that allow the views of personnel to be taken into account. This includes communicating key aspects of the strategic plan and where appropriate consultations on specific change programs.

The Group offers all employees of its subsidiary companies in the US and UK share schemes that enable employees to acquire an interest in Smiths Group plc shares and to align their interests more closely with those of shareholders of Smiths Group plc. The employees of the Company have an opportunity to participate in the UK scheme.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 SEPTEMBER 2017 and signed on its behalf.

  
Director

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 JULY 2017**

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006.

The directors 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 Smiths Detection - Watford Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Smiths Detection - Watford Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 July 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.


## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

  
Dasa Brynjolfsson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

20 September 2017

**SMITHS DETECTION - WATFORD LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 JULY 2017**

	<b>Note</b>	<b>2017 £000</b>	<b>2016 £000</b>
Turnover	4	<b>62,937</b>	65,190
Cost of sales		<b>(48,484)</b>	(51,435)
<b>Gross profit</b>		<b>14,453</b>	13,755
Distribution costs		<b>(2,910)</b>	(3,491)
Administrative expenses		<b>(16,402)</b>	(11,147)
<b>Operating loss</b>	5	<b>(4,859)</b>	(883)
Interest payable and similar expenses	9	<b>(1,044)</b>	(766)
Other finance income/(expenses)		-	(14)
<b>Loss before taxation</b>		<b>(5,903)</b>	(1,663)
Tax on loss	10	<b>(31)</b>	(39)
<b>Loss for the financial year</b>		<b>(5,934)</b>	(1,702)

The notes on pages 11 to 31 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2017**

	<b>2017 £000</b>	<b>2016 £000</b>
Loss for the financial year	<b>(5,934)</b>	(1,702)
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value gains on cash flow hedges	<b>96</b>	11
<b>Total other comprehensive income for the year</b>	<b>96</b>	11
<b>Total comprehensive expense for the year</b>	<b>(5,838)</b>	(1,691)

**SMITHS DETECTION - WATFORD LIMITED**  
**REGISTERED NUMBER: 480992**

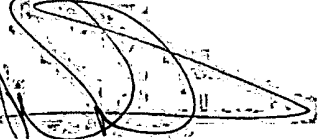
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2017**

	Note	£000	2017 £000	£000	2016 £000
<b>Fixed assets</b>					
Intangible assets	11		3,414		4,521
Tangible assets	12		11,392		10,830
Investments	13		4		4
			<u>14,810</u>		<u>15,355</u>
<b>Current assets</b>					
Stocks	14	11,659		14,533	
Debtors: amounts falling due after more than one year	15	1,092		1,143	
Debtors: amounts falling due within one year	15	16,482		14,338	
Cash at bank and in hand	16	127		274	
			<u>29,360</u>	<u>30,288</u>	
Creditors: amounts falling due within one year	17	(50,468)		(46,038)	
<b>Net current liabilities</b>			<u>(21,108)</u>		<u>(15,750)</u>
<b>Total assets less current liabilities</b>			<u>(6,298)</u>		<u>(395)</u>
Creditors: amounts falling due after more than one year			-		(288)
			<u>(6,298)</u>		<u>(683)</u>
<b>Provisions for liabilities</b>					
Other provisions	19	(1,013)		(924)	
			<u>(1,013)</u>		<u>(924)</u>
<b>Net liabilities</b>			<u><u>(7,311)</u></u>		<u><u>(1,607)</u></u>

STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 JULY 2017

	Note	2017 £000	2016 £000
<b>Capital and reserves</b>			
Called up share capital	20	77	77
Share premium account		631	631
Foreign exchange reserve		96	-
Other reserves		1,778	1,644
Profit and loss account		(9,893)	(3,959)
<b>Total equity</b>		<b>(7,311)</b>	<b>(1,607)</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
Director

Date: 20 Sept 17

The notes on pages 11 to 31 form part of these financial statements.

**SMITHS DETECTION - WATFORD LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2017**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Foreign exchange reserve</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2016	77	631	-	1,644	(3,959)	(1,607)
Loss for the financial year	-	-	-	-	(5,934)	(5,934)
Other comprehensive income for the year	-	-	96	-	-	96
Share Based Payments	-	-	-	134	-	134
<b>At 31 July 2017</b>	<b>77</b>	<b>631</b>	<b>96</b>	<b>1,778</b>	<b>(9,893)</b>	<b>(7,311)</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2016**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Foreign exchange reserve</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2015	77	631	(11)	1,515	(2,257)	(45)
Loss for the financial year	-	-	-	-	(1,702)	(1,702)
Other comprehensive income for the year	-	-	11	-	-	11
Share Based Payments	-	-	-	129	-	129
<b>At 31 July 2016</b>	<b>77</b>	<b>631</b>	<b>-</b>	<b>1,644</b>	<b>(3,959)</b>	<b>(1,607)</b>

The notes on pages 11 to 31 form part of these financial statements.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 1. General information

The Company is a private company and is incorporated and domiciled in the UK.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

##### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

##### 2.3 Going concern

There is no material uncertainty regarding the Company's ability to repay its liabilities as they fall due. Amounts due to group undertakings include £35,072k (2016: £22,872k) owed to the holding company which at the year end was repayable on 31 July 2022 or on demand.

The Company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on consideration of the Company's budgeted cash flows, forecasts and related assumptions. For this reason, the directors continue to adopt the going concern basis in the statutory financial statements. In addition, the directors have received confirmation that Smiths Detection Group Limited intends to support the Company for at least one year after these financial statements are signed.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 2. Accounting policies (continued)

##### 2.4 Turnover

Turnover is measured at the fair value of the consideration received, net of trade discounts (including distributor rebates) and sales taxes. Turnover is discounted only where the impact of discounting is material.

When the Company enters into complex contracts with multiple, separately identifiable components, the terms of the contract are reviewed to determine whether or not the elements of the contract should be accounted for separately. If a contract is being split into multiple components, the contract turnover is allocated to the different components at the start of the contract. The basis of allocation depends on the substance of the contract.

##### Sale of goods

Turnover from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, the amount of turnover can be measured reliably and recovery of the consideration is probable. For established products with simple installation requirements, turnover is recognised when the product is delivered to the customer in accordance with the agreed delivery terms. For products which are technically innovative, highly customised or require complex installation, turnover is recognised when the customer has completed its acceptance procedures.

##### Services

Turnover from services is recognised in accounting periods in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided. Depending on the nature of the contract, turnover will be recognised on the basis of the proportion of the contract term completed, the proportion of the contract costs incurred or the specific services provided to date.

##### 2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Development expenditure	- up to 7 years
Other intangible fixed assets	- up to 7 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each year end.

##### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 2. Accounting policies (continued)

##### 2.6 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Long-term leasehold property	- 2%
Short-term leasehold property	- 10%
Plant and machinery	- 10% to 20%
Motor vehicles	- 25%
Fixtures and fittings	- 10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Assets under construction are not depreciated until such time as they are available for use.

##### 2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

##### 2.8 Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of items of stock which take a substantial period of time to complete includes attributable borrowing costs for all items whose production began after 1 August 2009. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

##### 2.9 Debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

##### 2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

##### 2.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial



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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 2. Accounting policies (continued)

##### 2.11 Financial instruments (continued)

instruments transactions are explained below:

##### **Financial assets, including amounts owed by group undertakings**

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 the designation at each reporting date. Financial assets are classified as: loans and receivables, available for sale financial assets or financial assets where changes in fair value are charged (or credited) to the income statement.

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 income statement.

The subsequent measurement of financial assets depends on their classification. Loans and receivables are measured at amortised cost using the effective interest rate method. Available for sale financial assets are subsequently measured at fair value, with unrealised gains and losses being recognised in other comprehensive income. Financial assets where changes in fair value are charged (or credited) to the income statement 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 the income statement' category are included in the income statement 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. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously taken to reserves are included in the income statement.

Financial assets are classified as current if they are expected to be realised within 12 months of the year end.

##### **Financial liabilities, including amounts owed to group undertakings**

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 interest rate method through the income statement as interest over the life of the loan, and added to the liability disclosed in the Statement of Financial Position. Related accrued interest is included in the borrowings figure.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least one year after the year end.

##### **Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 2. Accounting policies (continued)

##### 2.11 Financial instruments (continued)

###### Cash-flow hedge

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve are recycled in the income statement in the periods when the hedged items will affect profit or loss (for instance when the forecast sale that is hedged takes place). If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, stock) or a liability, the gains and losses previously deferred in the hedge reserve are transferred from the reserve and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

###### Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

'IFRS 13: Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- level 1 – quoted prices in active markets for identical assets or liabilities;
- level 2 – valuations in which all inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.

##### 2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 2. Accounting policies (continued)

##### 2.13 Foreign currency translation

The Company's presentational currency is sterling. The results and financial position of the Company are translated into sterling as follows:

- assets and liabilities are translated at the rate of exchange at the date of that Statement of Financial Position; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on transactions are recognised in the income statement. Those arising on trading are taken to operating profit; those arising on borrowings are classified as finance income or cost.

##### 2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with fair value of goods and services received.

##### 2.15 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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## 2. Accounting policies (continued)

### 2.16 Provisions for liabilities

Provisions for warranties and product liability, disposal indemnities, restructuring costs, vacant leasehold property and legal claims are recognised when: the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### 2.17 Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Tax benefits are not recognised unless it is likely that the tax positions are sustainable. Once considered to be likely, tax benefits are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included in current tax liabilities, including any anticipated interest & penalties. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is provided in full using the Statement of Financial Position liability method. A deferred tax asset is recognised where it is probable that future taxable income will be sufficient to utilise the available relief. Tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities and assets are not discounted.

### 2.18 Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- amounts recoverable from third parties; and
- expenditure incurred in respect of the development of major new products where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility.

Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. Amortisation is charged straight line or based on the units produced, depending on the nature of the product and the availability of reliable estimates of production volumes.

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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 3. Significant judgements, key assumptions and estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Actual results may differ from these estimates. The key estimates and assumptions used in these financial statements are set out below.

##### Useful economic lives of tangible and intangible assets

The annual depreciation charge for tangible assets and amortisation charge for intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets (note 2.6).

##### Stock provisions

The calculation of stock provisions requires judgement by management of the expected value of future sales. If the carrying value of stock is higher than the expected recoverable value, the Company makes provisions writing stock down to its net recoverable value. Stock is initially assessed for impairment by comparing stock levels to recent utilisation rates and carrying values to recent purchase price or manufacturing cost. A detailed review is completed for stock lines identified in the initial assessment considering sales activity, order flow, customer contracts and current selling prices.

At 31 July 2017, there were provisions of £1,376k (2016: £1,893k) against gross stock of £13,035k (2016: £16,426k).

##### Debtors provisions

If the carrying value of any debtor is higher than the fair value, the Company makes provisions writing down the balance to its fair value. The fair value of debtors is considered individually for each customer and incorporates past experience and progress with collecting debt.

At 31 July 2017 the gross value of debtors partly provided for or more than three months overdue was £65k (2016: £50k) and there were provisions of £65k (2016: £50k) against these debtors. Consequently, these debtors were carried at a net value of £nil (2016: £nil).

##### Provisions for liabilities and charges

The Company has on occasion been required to take legal action to protect its intellectual property and other rights against infringement. Provision is made for any expected costs and liabilities in relation to these proceedings where appropriate, though there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred.

All provisions may be subject to potentially material revisions from time to time if new information becomes available as a result of future events.

# SMITHS DETECTION - WATFORD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

### 4. Turnover

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	25,611	27,277
Rest of Europe	7,498	11,381
Rest of the world	29,828	26,532
	<u>62,937</u>	<u>65,190</u>

### 5. Operating loss

The operating loss is stated after charging/(crediting):

	2017 £000	2016 £000
Research & development charged as an expense	5,272	2,356
Depreciation of tangible assets	1,250	843
Amortisation of intangible assets	1,107	1,086
Exchange gains	(61)	(111)
Share based payments	134	129

### 6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the Company	68	79
	<u>68</u>	<u>79</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent company.

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**SMITHS DETECTION - WATFORD LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	12,718	12,661
Social security costs	1,332	1,131
Other pension costs	505	510
	<u>14,555</u>	<u>14,302</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Engineering	63	63
Production	117	115
Selling and distribution	25	26
Administration	15	15
	<u>220</u>	<u>219</u>

**8. Directors' remuneration**

	2017 £000	2016 £000
Directors' emoluments	180	215
Company contributions to defined contribution pension schemes	7	8
	<u>187</u>	<u>223</u>

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of defined contribution pension schemes.

The directors provide services both to the Company and a number of other related Smiths Group plc entities. Aggregate emoluments represent the remuneration which is paid directly from the Company to the directors.

This disclosure relates only to one of the directors to the extent that he is paid directly by Smiths Detection - Watford Ltd. To the extent that directors are paid by the parent company for services to Smiths Detection - Watford Ltd, this remuneration is not disclosed as it is not possible to attribute a portion of the remuneration or recharges to services rendered to Smiths Detection - Watford Ltd.

No compensation for loss of office was payable to the director who resigned during the year (2016: nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**9. Interest payable and similar expenses**

	2017 £000	2016 £000
Interest payable on loans from group undertakings	1,044	766
	<u>1,044</u>	<u>766</u>

**10. Tax on loss**

	2017 £000	2016 £000
<b>Current tax</b>		
UK Corporation tax on loss for the year	(165)	(286)
Adjustments in respect of previous periods	196	325
<b>Total current tax</b>	<u>31</u>	<u>39</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on loss</b>	<u>31</u>	<u>39</u>



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**SMITHS DETECTION - WATFORD LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**10. Tax on loss (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.67% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Loss before taxation	<u>(5,903)</u>	<u>(1,663)</u>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.67% (2016 - 20%)	(1,161)	(333)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	53	14
Adjustments in respect of previous periods	196	325
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(237)	(472)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(165)	(286)
Group relief surrendered to other group companies	1,675	397
Unrecognised temporary differences	(330)	394
<b>Total tax charge for the year</b>	<u><u>31</u></u>	<u><u>39</u></u>

**Factors that may affect future tax charges**

The Company is part of a UK tax group including all the UK subsidiaries of Smiths Group plc.

At 31 July 2017 the Company has unrecognised deferred tax assets of £2,873k (2016: £1,234k) relating to:

- Capital allowances £1,666k (2016: £1,809k);
- Other timing differences £1,207k (2016: £575K).

These net tax allowances remain available to the Company and can be utilised should the UK tax base of Smiths Group plc improve.

Current tax debtor £557k relates to research and development tax credit (2016: £588k).

**SMITHS DETECTION - WATFORD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**11. Intangible assets**

	Development costs £000	Computer software £000	Total £000
<b>Cost</b>			
At 1 August 2016	13,007	395	13,402
At 31 July 2017	13,007	395	13,402
<b>Accumulated amortisation</b>			
At 1 August 2016	8,542	339	8,881
Charge for the year	1,088	19	1,107
At 31 July 2017	9,630	358	9,988
<b>Net book value</b>			
At 31 July 2017	3,377	37	3,414
At 31 July 2016	4,465	56	4,521

£1,088k (2016: £1,076k) amortisation of the intangible assets is included in the cost of sales and £19k (2016: £10k) amortisation is included in the administrative expenses in the income statement.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

12. Tangible assets

	Long-term leasehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>						
At 1 August 2016	9,248	-	4,894	103	4,738	18,983
Additions	-	931	592	-	331	1,854
Transfers	(9,248)	9,248	-	-	-	-
Disposals	-	-	(1,145)	(54)	(423)	(1,622)
At 31 July 2017	-	10,179	4,341	49	4,646	19,215
<b>Accumulated depreciation</b>						
At 1 August 2016	-	-	3,753	103	4,297	8,153
Charge for the year	-	836	303	-	111	1,250
Disposals	-	-	(1,103)	(54)	(423)	(1,580)
At 31 July 2017	-	836	2,953	49	3,985	7,823
<b>Net book value</b>						
At 31 July 2017	-	9,343	1,388	-	661	11,392
At 31 July 2016	9,248	-	1,141	-	441	10,830

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SMITHS DETECTION - WATFORD LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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13. Investments

	Investments in group undertakings £000
<b>Cost or valuation</b>	
At 1 August 2016	4
At 31 July 2017	<u>4</u>
<b>Net book value</b>	
At 31 July 2017	<u>4</u>
At 31 July 2016	<u>4</u>
<b>Group undertakings</b>	

The following were group undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Smiths Detection Saudi Arabia LLC (Registered office: PO Box 59490, Riyadh 11525, Kingdom of Saudi Arabia. Registration number: 1010334748)	Ordinary	5%	Servicing and maintenance of equipment

5% of the total share capital of Smiths Detection Saudi Arabia LLC is held by the company. The remaining 95% of share capital is held by Smiths Detection Group Limited.

In the opinion of the directors the value of the investment is not less than the aggregate amount at which they are shown in the Company's Statement of Financial Position.

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**SMITHS DETECTION - WATFORD LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**14. Stock**

	2017 £000	2016 £000
Raw materials and consumables	6,243	6,781
Work in progress	1,963	1,874
Finished goods	3,453	5,878
	<u>11,659</u>	<u>14,533</u>

The Company consumed £41,090k (2016: £43,384k) of stock during the year. In the year to 31 July 2017 £1,494k (2016: £1,050k) was charged for the write down of stock and £1,490k (2016: £498k) was released from stock provisions no longer required.

**15. Debtors**

	2017 £000	2016 £000
<b>Amounts falling due after more than one year</b>		
Trade debtors	1,092	1,143
	<u>1,092</u>	<u>1,143</u>
<b>Amounts falling due within one year</b>		
Trade debtors	8,977	7,054
Amounts owed by group undertakings	5,849	4,915
Other debtors	969	588
Prepayments and accrued income	580	1,781
Financial instruments	107	-
	<u>16,482</u>	<u>14,338</u>

All amounts owed by group undertakings are currently unsecured, interest free and repayable on demand.

# SMITHS DETECTION - WATFORD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

### 16. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	127	274
	<u>127</u>	<u>274</u>

### 17. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	2,951	8,563
Amounts owed to group undertakings	36,957	27,646
Taxation and social security	315	295
Other creditors	-	34
Accruals and deferred income	10,245	9,500
	<u>50,468</u>	<u>46,038</u>

Amounts owed to group undertakings include £35,072k (2016: £22,872k) owed to the holding company, Smiths Detection Group Limited, which is repayable on 31 July 2022 or on demand. Interest is charged at LIBOR plus 3.0%. All other amounts owed to group undertakings are interest free and repayable on demand.

### 18. Financial instruments

	2017 £000	2016 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	234	274
Financial assets that are debt instruments measured at amortised cost	17,023	14,846
	<u>17,257</u>	<u>15,120</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(47,141)	(42,362)
	<u>(47,141)</u>	<u>(42,362)</u>

**SMITHS DETECTION - WATFORD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**19. Other provisions**

	Warranty provision and product liability £000	Provision for site disposal costs £000	Total £000
At 1 August 2016	624	300	924
Charged/(credited) to income statement	836	-	836
Released in year	-	(68)	(68)
Utilised in year	(447)	(232)	(679)
<b>At 31 July 2017</b>	<b>1,013</b>	<b>-</b>	<b>1,013</b>

Warranty provisions are made to cover the anticipated cost of repair or replacement of goods returned within the contractual warranty period of one year.

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SMITHS DETECTION - WATFORD LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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20. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
76,771 (2016: 76,771) Ordinary shares of £1 each	77	77

21. Employee share scheme

Company employees participate in share schemes and plans that the ultimate parent company, Smiths Group plc operates for the benefit of employees. All entitlements under the schemes relate to the shares of Smiths Group plc. The Company recognises a charge for the benefit of the employee services realised, and a capital contribution from the Group because the Group does not charge the Company for the costs of these options.

**Cost of share based payment arrangements**

Included within administrative expenses is an expense arising from share-based payment transactions of £134k (2016: £129k)

22. Contingent liabilities

Guarantees and performance bonds given by banks to third parties on behalf of the Company amounted to £681,000 (2016: £573,000).

The Company has a contingent liability under a composite banking arrangement with other companies in the group, limited to the amount standing to the credit of the Company's own bank account.

The Company is registered with H.M. Revenue and Customs as a member of the Smiths Group plc for VAT group purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by the group for unpaid VAT.

23. Capital commitments

	2017 £000	2016 £000
Contracts placed for future capital expenditure not provided in the financial statements	157	1,700
	157	1,700

Contracts of £157k (2016: £1,700k) were placed for future capital expenditure related to the new Hemel Hempstead facility.



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## SMITHS DETECTION - WATFORD LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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#### 24. Pension commitments

The total expense recognised in the income statement in respect of defined contribution pensions was £505k (2016: £510k) and at the end of the year £nil was outstanding (2016: £nil).

Historically, staff of the Company participated in the Smiths Industries Pension Scheme, which is a defined benefit pension plan based in the UK. With effect from 1st January 2006, employees of the Company who were members of this scheme became employees of the ultimate parent company, Smiths Group plc, and now perform their services under contract from that Company. The pension schemes were closed with effect from 31st October 2009.

The assets of the Smiths Industries Pension Scheme are held in a separate trustee-administered fund and the pensions costs are assessed in accordance with the advice of independent, professionally-qualified actuaries. Further details of these pension plans, the actuarial assumptions used and the latest actuarial valuations can be found in the consolidated financial statements of Smiths Group plc for the year ended 31 July 2017.

The pension contribution made by the Company in respect of the defined benefit pension plan was £nil (2016: £nil). In 2018 the Company does not expect to make any payments in respect of the defined benefit pension plan.

#### 25. Commitments under operating leases

At 31 July the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Not later than 1 year	457	650
Later than 1 year and not later than 5 years	1,814	1,814
Later than 5 years	1,361	1,815
	<u>3,632</u>	<u>4,279</u>
Other operating leases		
Not later than 1 year	120	54
Later than 1 year and not later than 5 years	225	53
	<u>345</u>	<u>107</u>

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**SMITHS DETECTION - WATFORD LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**26. Controlling party**

For the year ended 31 July 2017, Smiths Detection-Watford Limited was a wholly owned subsidiary of Smiths Detection Group Limited.

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 incorporated in the United Kingdom and registered in England and Wales.

The Annual Report and financial statements of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, 11 12 St James's Square, London, SW1Y 4LB.