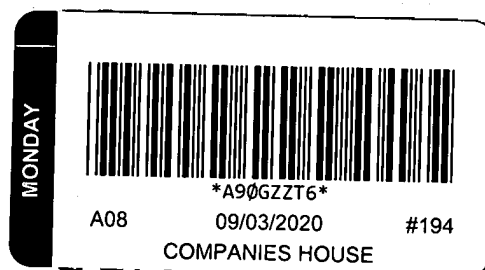


**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2019**



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<b>SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED</b>
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**COMPANY INFORMATION**

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<b>Directors</b>	Giuseppe Lancelli Paul Harris
<b>Company secretary</b>	Eric Lakin
<b>Registered number</b>	00941519
<b>Registered office</b>	Unit 130 Centennial Park, Elstree, Hertfordshire WD6 3TJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP The Maurice Wilkes Building St John's Innovation Park Cowley Road Cambridge CB4 0DS



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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JULY 2019**

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**Introduction**

The Directors present their Strategic Report on Smiths Industries Industrial Group Limited ("the Company") for the year ended 31 July 2019.

**Business review**

The results for the year show a loss before taxation of £2,060,000 (2018 - loss £2,545,00) and turnover of £12,327,000 (2018 - £12,776,000). At 31 July 2019 the Company had net assets of £64,633,000 (2018 - £65,133,000). The loss is mainly due to the internal model implemented during the prior financial year, where divisional costs are now charged to the Company, where previously they were recharged to the parent Company. This includes payroll expenses, which have significantly increased over the prior year as a result.

The future performance of the Company will depend on the trading performance of its remaining activities, which all relate to Smiths Interconnect. The Directors have concluded that the business will continue as a going concern.

**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:

**Foreign exchange**

The Company is exposed to two types of currency risk: transaction risk in respect of products manufactured in one currency region and sold in another currency; and translation risk in that the results of non-UK businesses will translate into differing pounds sterling values depending on the exchange rate. The Company's practices for managing currency risk generally mitigate transaction risk in the short term. Over the longer term, the Company remains exposed to both transaction and translation risk.

**Raw material prices**

The Company's products contain various raw materials or purchased components including electronic components, metals and plastics. Any increases or volatility in prices and shortages in supply can affect the Company's performance due to the dependence on internal manufacturers.

**Financial 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 Smiths Industries Industrial Group Limited. The development, performance and position of Smiths Interconnect division of Smiths Group plc, which includes the activities of 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.

G. Lancelotti  
Director

Date:  
28/02/2020

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2019**

The directors present their report and the audited financial statements for the year ended 31 July 2019.

**Results and dividends**

The loss for the year, after taxation, amounted to £1,978,000 (2018 - loss £2,486,000).

No dividend was paid or proposed during the financial year and the directors do not recommend payment of a final dividend (2018 - £nil).

**Directors**

The directors who served during the year were:

Giuseppe Lancella  
Paul Harris

**Future developments**

A review of the business and future developments is included in the strategic report.

**Financial risk management**

The Company complies with the Smiths Group plc 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 receivables are limited due to the diverse customer base.

**Foreign exchange risks**

The Company makes a proportion of its sales in foreign currencies, principally US dollars and Euros. The resulting foreign exchange risks are managed through natural hedging and forward foreign exchange contracts.

**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, 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.

**Overseas branches**

The Company has a branch based in France which trades as Thermaflex.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2019**

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial statement;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 replaced by KPMG for auditing next year's financial statements.

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

  
G. Lancella  
Director  
Date 28/02/2020

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**Independent auditors' report to the members of Smiths Industries Industrial Group Limited**

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

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### **Opinion**

In our opinion, Smiths Industries Industrial Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its loss and cash flows 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 balance sheet as at 31 July 2019; the profit and loss account, 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.

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### **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.

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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **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.

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## SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED

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### Independent auditors' report to the members of Smiths Industries Industrial Group Limited

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#### *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 2019 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.

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, 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.

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## **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.



Andrew Hodgkins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
28 February 2020



SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED
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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2019**

	Note	2019 £000	2018 £000
Turnover	4	12,327	12,776
Cost of sales		(10,224)	(10,260)
<b>Gross profit</b>		<b>2,103</b>	<b>2,516</b>
Distribution costs		(1,946)	(2,206)
Administrative expenses		(2,530)	(2,753)
<b>Operating loss</b>	5	<b>(2,373)</b>	<b>(2,443)</b>
Amounts written off investments		-	(215)
Reorganisation Costs	7	(14)	(48)
Interest receivable and similar income	9	325	161
<b>Loss before taxation</b>		<b>(2,062)</b>	<b>(2,545)</b>
Tax on loss	10	84	59
<b>Loss for the financial year</b>		<b>(1,978)</b>	<b>(2,486)</b>

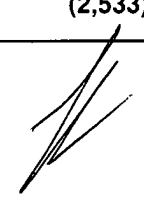
The notes on pages 11 to 28 form part of these financial statements.

<b>SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED</b>
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<b>STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019</b>
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	2019 £000	2018 £000
Loss for the financial year	(1,978)	(2,486)
<b>Other comprehensive expense:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Currency translation differences	-	(47)
<b>Total other comprehensive expense</b>	-	(47)
 <b>Total comprehensive expense for the year</b>	 (1,978)	 (2,533)

The notes on pages 11 to 28 form part of these financial statements.



**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**BALANCE SHEET  
AS AT 31 JULY 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	11	2,873	2,875
Tangible assets	12	542	665
Investments	13	23,430	22,851
		<u>26,845</u>	<u>26,391</u>
<b>Current assets</b>			
Stocks	14	45	122
Debtors: amounts falling due after more than one year	15	38,149	37,149
Debtors: amounts falling due within one year	15	3,220	3,296
Cash at bank and in hand	16	1,062	1,252
		<u>42,476</u>	<u>41,819</u>
Creditors: amounts falling due within one year	17	(4,522)	(2,908)
<b>Net current assets</b>		<u>37,954</u>	<u>38,911</u>
<b>Total assets less current liabilities</b>		<u>64,799</u>	<u>65,302</u>
Creditors: amounts falling due after more than one year	18	(169)	(169)
		<u>64,630</u>	<u>65,133</u>
<b>Net assets</b>		<u>64,630</u>	<u>65,133</u>
<b>Capital and reserves</b>			
Called up share capital	20	10,001	10,001
Share premium account		1,725	1,725
Other reserves		2,948	2,029
Profit and loss account		49,956	51,378
		<u>64,630</u>	<u>65,133</u>

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

**G. Lancellotti**  
Director

Date:

The notes on pages 11 to 28 form part of these financial statements.

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2019**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 August 2018	10,001	1,725	2,029	51,378	65,133
<b>Comprehensive expense for the year</b>					
Loss for the financial year	-	-	-	(1,978)	(1,978)
Currency translation differences	-	-	-	-	-
<b>Other comprehensive expense for the year</b>	-	-	-	-	-
<b>Total comprehensive expense for the year</b>	-	-	-	(1,978)	(1,978)
Consolidation differences adjustment	-	-	14	556	570
Shared based payments	-	-	905	-	905
<b>Total transactions with owners</b>	-	-	919	556	1,475
<b>At 31 July 2019</b>	<b>10,001</b>	<b>1,725</b>	<b>2,948</b>	<b>49,956</b>	<b>64,630</b>

The notes on pages 11 to 28 form part of these financial statements.

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2018**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 August 2017	10,001	1,725	1,611	52,654	65,991
<b>Comprehensive expense for the year</b>					
Loss for the financial year	-	-	-	(2,486)	(2,486)
Currency translation differences	-	-	(10)	(37)	(47)
<b>Other comprehensive expense for the year</b>	-	-	(10)	(37)	(47)
<b>Total comprehensive expense for the year</b>	-	-	(10)	(2,523)	(2,533)
Consolidation differences adjustment	-	-	-	1,247	1,247
Shared based payments	-	-	428	-	428
<b>Total transactions with owners</b>	-	-	428	1,247	1,675
<b>At 31 July 2018</b>	<b>10,001</b>	<b>1,725</b>	<b>2,029</b>	<b>51,378</b>	<b>65,133</b>

The notes on pages 11 to 28 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**1. General information**

The Company is a private limited company and is incorporated in the United Kingdom. The Company's registered address is Unit 130 Centennial Park, Elstree, Hertfordshire, WD6 3TJ.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Impact of new international reporting standards, amendments and interpretations**

**IFRS 9:** There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 August 2018.

**IFRS 15:** From 1 August 2018, the company has applied IFRS 15 using the cumulative effect method. There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 August 2018.

**2.3 Foreign currency translation****Functional and presentation currency**

The Company's functional and presentational currency is GBP.


**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)****2.4 Revenue**

Revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations. Revenue is measured as the fair value of the consideration received or receivable, net of trade discounts (including distributor rebates) and sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.5 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)****2.6 Going concern**

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.

**2.7 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.8 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 profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.9 Taxation**

Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

**2.10 Intangible assets and goodwill**

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.

**2.11 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.





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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)****2.10 Tangible fixed assets (continued)**

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.

The estimated useful lives range as follows:

Freehold property	- up to 25 years
Plant and machinery	- 10% to 25%
Motor vehicles	- 10% to 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 profit and loss account.

**2.11 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.12 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.13 Debtors**

Short term debtors are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)****2.14 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.15 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.

**2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**2.17 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 instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**2. Accounting policies (continued)****2.17 Financial instruments (continued)****Impairment of financial assets**

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for accounts receivable while the general approach is applied to cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together, and adjusted for forward-looking information, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in the statement of comprehensive income.

**Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

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 year. 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**

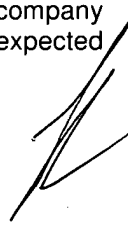
The annual depreciation charge for tangible assets and amortisation charge for intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. They are amended when necessary to reflect current estimates, based on technological advancement, future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

**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.

**Debtors' provisions**

A provision for expected credit losses is established when there is objective evidence that amounts due under the original payment terms will not be collected. Expected credit losses are calculated using historical write-offs as a basis with a default risk multiplier applied to reflect country risk premium. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.



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**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. Turnover**

The company operates in one business segment being that of design and sale of engineered products. The analysis of turnover by geographical area is as follows

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Design and sale of engineered products	12,327	12,776
	<b>12,327</b>	<b>12,776</b>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	10,418	10,122
Rest of Europe	1,900	2,570
Rest of the world	9	84
	<b>12,327</b>	<b>12,776</b>

**5. Operating loss**

The operating loss is stated after charging:

	2019 £000	2018 £000
Research & development charged as an expense	289	215
Depreciation of tangible fixed assets	154	212
True up on amortisation of intangible assets	-	36
Exchange differences	35	215
Defined contribution pension cost	201	286

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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:

	2019 £000	2018 £000
Fees for the audit of the Company	58	57
	<u>58</u>	<u>57</u>

**7. Reorganisation Costs**

The exceptional costs of £14,000 (2018 - £48,000) relate to rebranding costs

**8. Employees**

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	4,895	4,291
Social security costs	1,327	773
Cost of defined contribution scheme	201	54
Share based compensation	905	428
	<u>7,328</u>	<u>5,546</u>

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

	2019 No.	2018 No.
	<u>53</u>	<u>49</u>



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**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

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**9. Interest receivable and similar income**

	2019 £000	2018 £000
Bank interest payable	(13)	(14)
Other loan interest payable	(8)	(9)
Interest receivable from group undertakings	346	184
	<hr/> 325	<hr/> 161

**10. Tax on loss**

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on losses for the year	(84)	(59)
	<hr/> (84)	<hr/> (59)
<b>Total current tax</b>	<hr/> (84)	<hr/> (59)
<b>Taxation on loss on ordinary activities</b>	<hr/> (84)	<hr/> (59)



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**


**10. Tax on loss (continued)****Factors affecting tax credit for the year**

The tax assessed for the year is higher than (2018 – the same as) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	<b>2019 £000</b>	<b>2018 £000</b>
Loss before taxation	<b>(2,062)</b>	<b>(2,545)</b>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	<b>(392)</b>	<b>(484)</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>124</b>	<b>(37)</b>
Adjustment in research and development tax credit leading to a decrease in the tax charge	<b>-</b>	<b>15</b>
Unrelieved tax losses carried forward	<b>-</b>	<b>52</b>
Other tax relief on exceptional items	<b>-</b>	<b>(50)</b>
Group relief	<b>184</b>	<b>445</b>
<b>Total tax credit for the year</b>	<b>(84)</b>	<b>(59)</b>

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) to reduce the rate to 19% from 1 April 2017 and enacted as part of Finance Bill 2016 (on 7 September 2016) to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the enacted tax rates as part of Finance Bill 2016 and reflected in these financial statements.





**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Intangible assets**

	Patents £000	Goodwill £000	Computer software £000	Total £000
<b>Cost</b>				
At 1 August 2018	40	7,394	759	8,193
At 31 July 2019	40	7,394	759	8,193
<b>Accumulated amortisation</b>				
At 1 August 2018	34	4,525	759	5,318
Charge for the year	2	-	-	2
At 31 July 2019	36	4,525	759	5,320
<b>Net book value</b>				
At 31 July 2019	4	2,869	-	2,873
At 31 July 2018	6	2,869	-	2,873

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

**12. Tangible assets**

	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 August 2018	1,543	116	2,826	4,485
Additions	5	-	25	30
Disposals	(2)	-	(1)	(3)
At 31 July 2019	1,546	116	2,850	4,512
<b>Accumulated depreciation</b>				
At 1 August 2018	1,318	116	2,380	3,820
Charge for the year on owned assets	32	-	124	150
At 31 July 2019	1,350	116	2,504	3,970
<b>Net book value</b>				
At 31 July 2019	196	-	346	542
At 31 July 2018	225	-	440	665

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

**13. Investments**

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 August 2018	22,851
Foreign exchange movement	579
At 31 July 2019	<u>23,430</u>
<b>Net book value</b>	
At 31 July 2019	<u>23,430</u>
At 31 July 2018	<u>22,851</u>

**14. Stocks**

	2019 £000	2018 £000
Raw materials and consumables	19	12
Work in progress (goods to be sold)	-	1
Finished goods and goods for resale	26	109
	<u>45</u>	<u>122</u>

**15. Debtors**

	2019 £000	2018 £000
<b>Amounts falling due after more than one year</b>		
Amounts owned by group undertakings. Interest rate on loans for the year was 0.50% (2018: 0.50%). The interest is calculated at a rate per annum of 12-month GBP LIBID. This loan is not repayable on demand.	38,149	37,149
	<u>38,149</u>	<u>37,149</u>

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

**15. Debtors (continued)**

	2019	2018
	£000	£000
<b>Amounts falling due within one year</b>		
Trade debtors	2,840	2,843
Other debtors	167	162
Prepayments and accrued income	197	248
Financial instruments	16	43
	<u>3,220</u>	<u>3,296</u>

**16. Cash in bank and in hand**

	2019	2018
	£000	£000
Cash at bank and in hand	1,062	1,252
	<u>1,062</u>	<u>1,252</u>

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

	2019	2018
	£000	£000
Trade creditors	1,230	1,468
Taxation and social security	507	426
Accruals and deferred income	1,886	1,014
True up of divisional recharges	899	-
	<u>4,522</u>	<u>2,908</u>

**18. Creditors: Amounts falling due after more than one year**

	2019	2018
	£000	£000
Trade creditors	169	169
	<u>169</u>	<u>169</u>

**SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

**19. Financial instruments**

	2019 £000	2018 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	3,038	1,296
Financial assets that are equity instruments measured at cost less impairment	-	-
Financial assets that are debt instruments measured at amortised cost	39,227	40,402
	<u>42,265</u>	<u>41,698</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(2,637)	(2,651)

**20. Called up share capital**

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
10,001,000 (2018 - 10,001,000) ordinary shares of £1.00 each	<u>10,001</u>	<u>10,001</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

### 21. Employee share schemes

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. The nature of the schemes and plans is set out below:

Smiths Group share option schemes

Long-Term Incentive Plan (LTIP)

The LTIP is a share plan under which an award over a capped number of shares will vest after the end of the three-year performance period if performance conditions are met. LTIP awards are made to selected senior executives, including the executive directors. Awards made prior to 2016 were made with different targets for corporate executives and divisional executives. From 2016 onwards, all LTIP awards will have one set of targets.

Group LTIP awards have performance conditions relating to underlying revenue growth, growth in headline EPS adjusted to exclude tax, ROCE, cash conversion and, for awards made before 2015, TSR relative to the FTSE 100 (excluding financial services companies).

Divisional LTIP awards have performance conditions relating to divisional performance against headline KPIs, including underlying revenue and operating profit growth, operating margins, ROCE, operating cash conversion, employee engagement and quality metrics.

Smiths Group Co-Investment Plan (CIP) and Smiths Share Matching Plan (SMP)

In 2015 the CIP was replaced by the SMP. Under the CIP and SMP participants are required to invest between 25% and 50% of their post-tax bonus purchasing the Company's shares at the prevailing market price. At the end of a three-year period, if the executive is still in office and the performance test is passed, matching shares will be awarded in respect of any invested shares retained for that period.

For the CIP, vesting of matching shares will occur, if the Group's Return on Capital Employed ('ROCE') over the performance period exceeds the Group's weighted average cost of capital ('WACC') over the performance period by an average margin of at least 1% per annum. If ROCE exceeds WACC by an average margin of 3% per annum a second matching share will be issued. For the SMP, vesting of matching shares will occur at the end of the three-year period depending on the performance of the Group LTIP issued for the same performance period.

Smiths Industries 1995 Executive Share Option Scheme (95 ESOS)

Options granted under the 95 ESOS can only be exercised if a performance test based on growth in the Group's earnings per share has been met. No grants under the 95 ESOS have been made since 5 October 2009, so performance tests have been completed and passed for all the grants still outstanding.

Smiths Group Sharesave Scheme (SAYE)

The SAYE scheme is an HM Revenue & Customs-approved all-employee savings-related share option scheme which is open to all UK employees, including Directors, with 12 months' service or more. Participants enter into a contract to save a fixed amount per month of up to £500 in aggregate for three or five years and are granted an option over shares at a fixed option price, set at a discount to market price at the date of invitation to participate. Until 2012 participants in five-year savings contracts could elect to delay maturity of the contract until its seventh anniversary. The number of shares are determined by the monthly amount saved and the bonus paid on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions.

Range of exercise prices and remaining contractual life

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2019**

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**21. Employee share schemes (continued)**

Options outstanding under LTIP, CIP and SMP schemes at 31 July 2019 had exercise prices of £0.00 (2018: £0.00), with a weighted average remaining contractual life of 1.6 years (2018: 1.6 years).

The options outstanding under ESOS schemes at 31 July 2018 had exercise prices of £9.01 to £10.97 with a weighted average remaining contractual life of 2.0 years. All these options were exercised in the year to 31 July 2019.

Options outstanding under SAYE schemes at 31 July 2019 had exercise prices between £8.11 and £10.35 (2018: £8.11 and £10.35), with a weighted average contractual life of 2.7 years (2018: 2.7 years).

**22. Pension commitments**

Until 31 October 2009 staff of the Company participated in the Smiths Industries Pension Scheme, a defined benefit pension plan based in the UK. With effect from 1 January 2006, a number of employees of the Company who are members of this scheme became employees of the ultimate parent Company, Smiths Group plc, and now perform their services under contract from that Company. This pension scheme was closed with effect from 31 October 2009. The Company provides a defined contribution pension plan for its employees.

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 this pension plan, the actuarial assumptions used and the latest actuarial valuation can be found in the company financial statements of Smiths Group plc for the year ended 31 July 2019.

The pension cost for the Company in respect of the defined benefit pension plan was £nil (2018: £nil). This represents contributions payable to Smiths Group plc which is responsible for making contributions to the pension funds on behalf of the Group as a whole. The Company contributions are set with respect to the current service period only, so the Company has accounted for these contributions as if the scheme was a defined contribution scheme.

**23. Controlling party**

At 31 July 2019, Smiths Industries Industrial Group Limited was a wholly owned subsidiary of Smiths Interconnect 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

