Registered number: 00941519

SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

COMPANY INFORMATION

Directors	James Voyle (appointed 10 September 2020) Paul Harris (resigned 18 October 2021) Mark Kelleher (appointed 18 October 2021)
Registered number	00941519
Registered office	130 Centennial Park, Centennial Avenue Elstree, Hertfordshire UK WD6 3SE
Independent auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022

Introduction

The Directors present their Strategic Report on Smiths Industries Industrial Group Limited ("the Company"), Unit 130 Centennial Park, Elstree, Hertfordshire, WD6 3SE, for the year ended 31 July 2022.

Business review

The results for the year show a loss before taxation of £2,062,000 (2021: loss £3,520,000) and turnover of £6,463,000 (2021: £8,736,000). At 31 July 2022 the Company had net assets of £42,822,000 (2021: £44,270,000). Profitability was negatively impacted by the impairment of the investment in Hypertac SA.

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 consolidated basis using divisional key performance indicators. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate. The development, performance and position of the Smiths Interconnect division of Smiths Group plc, which includes the activities of the Company, is discussed separately in the Strategic Report of the Group's Annual Report and Financial Statements which does not form part of this report.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022

Directors' statement of compliance with duty to promote the success of the Company

The directors of the Company have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members. As part of the Company's deliberations and decision making process, the Board takes into the account the
(i) likely consequences of any decision in the long-term;
(ii) the interests of the company's employees;
(iii) the need to foster the company's relationship with suppliers, customers and others;
(iv) the impact of the company's operations on the community and the environment; and
(v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be our shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment and also took account the views and interests of a wider set of stakeholders including our regulators, the government, and non-government organisations. During the year ended 31 July 2022, the directors gave careful considerations to the factors set out above in discharging their duties under section 172 of the Companies Act 2006. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values and operate the business in a sustainable way.

The Company is part of the Smiths Group and is ultimately owned by Smiths Group plc ('Group'), which is responsible for setting the overall strategy of the Group maintaining oversight of the Group's activities and setting its risk appetite. The Board will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the Group means that stakeholder engagement often takes place at an operational level. In these instances, the Board is informed of stakeholder views through management reports and presentations. Most decisions made by the Board during the year are deemed to be routine in nature and are taken on regular basis.

Further explanations of how the Group board has considered matters set out in section 172 (for the Group and for the Company) can be found on pages 90 to 95 of the Group Annual Report and Accounts for the year ended 31 July 2022, which does not form part of this report.

This report was approved by the board on 17 April 2023 and signed on its behalf.

James Voyle

James Voyle
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2022

The directors present their report and the financial statements for the year ended 31 July 2022.

Results and dividends

The loss for the year, after taxation, amounted to £2,021,000 *(2021 - loss £3,422,000).*

No dividend was paid or proposed during the financial year and the directors do not recommend payment of a final dividend (2021: £NIL).

Directors

The directors who served during the year were:

James Voyle
Paul Harris (resigned 18 October 2021)
Mark Kelleher (appointed 18 October 2021)

Political contributions

The company made no political donations during the year.

Future developments

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

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 Note 19 to the Group annual report; Treasury Risk Management (page 182) 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.

Engagement with suppliers, customers and others

Relationship with stakeholders are of strategic importance to the company and these matters are therefore dealt with in the strategic report (under section 172 obligations).

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.

Overseas branches

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

Going concern

These accounts have been prepared on a going concern basis.

The Company has net current assets of £38,026,000 as at 31 July 2022 (2021: £38,150,000) and a loss for the year then ended of £2,021,000 (2021: loss of £3,422,000). The directors have reviewed the value of the Company's investments and the Company's access to committed borrowing facilities including Smiths Group plc's US$800m multi-currency revolving credit facility maturing in November 2023, of which $800m was undrawn at 31 July 2022. The Company has sufficient financial resources to meet its financial obligations as they fall due during the period of assessment, considered to be twelve months from the signing date of these financial statements. In light of the COVID-19 pandemic, the Company has considered the potential impact on the financial forecasts which indicate that it will continue to have sufficient resources to meet its financial liabilities as they fall due. The Smiths Group plc has provided a letter of financial support to the Company covering the 12 months from the date of approval should the company require funding.

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, KPMG LLP, were appointed as auditor on 16 July 2020.Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed, and therefore KPMG LLP will remain in office.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022

This report was approved by the board on 17 April 2023 and signed on its behalf.

James Voyle

James Voyle
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 JULY 2022

The directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 these 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED

Opinion

We have audited the financial statements of Smiths Industries Industrial Group Limited ("the Company") for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.
Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or

alleged fraud;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that company management may be in a position to make inappropriate accounting entries.

We considered the risk of fraud related to improper recognition of revenue. Revenue is recognised at the point where title has transferred to the buyer, together with the risks and rewards of ownership. Given that revenue recognition does not require significant management judgment, and revenue converts to cash quickly meaning limited opportunity to manipulate revenue recognition, we assessed there to be limited opportunities to fraudulently adjust revenue. We concluded that there is no fraud risk relating to revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and corruption, trade compliance and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED

limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities .

Use of our report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

R. Dodds

Rachel Dodds (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
17 April 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2022

	Note	2022 £000	*2021* *£000*
Turnover	4	**6,463**	*8,736*
Cost of sales		**(5,892)**	*(8,343)*
Gross profit		**571**	*393*
Distribution costs		**(1,154)**	*(1,594)*
Administrative expenses		**39**	*1,107*
Operating loss	5	**(544)**	*(94)*
Impairment charge - investments	14	**(1,411)**	*(3,520)*
Interest receivable and other income	9	**24**	*122*
Interest payable and other expenses	10	**(131)**	*(28)*
Loss before tax		**(2,062)**	*(3,520)*
Tax on loss	11	**41**	*98*
Loss for the financial year		**(2,021)**	*(3,422)*
Other comprehensive (expense) / income		**-**	*-*
Total comprehensive income for the year		**(2,021)**	*(3,422)*

The notes on pages 16 to 38 form part of these financial statements.

BALANCE SHEET
AS AT 31 JULY 2022

	Note		2022 £000		2021 £000
Fixed assets					
Intangible assets	12		-		1
Tangible Assets	13		583		727
Investments	14		4,594		6,005
			5,177		6,733
Current assets					
Stocks	15	107		101	
Debtors: amounts falling due after more than one year	16	35,304		20,439	
Debtors: amounts falling due within one year	16	5,120		20,428	
Cash at bank and in hand	17	419		675	
		40,950		41,643	
Creditors: amounts falling due within one year	18	(2,924)		(3,493)	
Net current assets			38,026		38,150
Total assets less current liabilities			43,203		44,883
Creditors: amounts falling due after more than one year	19		(381)		(613)
			42,822		44,270
Net assets excluding pension asset			42,822		44,270
Net assets			42,822		44,270
Capital and reserves					
Called up share capital	21		10,001		10,001
Other reserves	22		6,320		5,747
Profit and loss account	22		26,501		28,522
			42,822		44,270

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2023.

BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2022

James Voyle

James Voyle
Director

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 August 2021	10,001	5,747	28,522	44,270
Comprehensive expense for the year				
Loss for the financial year	-	-	(2,021)	(2,021)
Total comprehensive expense for the year	-	-	(2,021)	(2,021)
Equity settled share based payment transactions	-	573	-	573
Total transactions with owners	-	573	-	573
At 31 July 2022	10,001	6,320	26,501	42,822

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2021

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 August 2020	10,001	5,276	31,944	47,221
Comprehensive (expense)/income for the year				
Loss for the financial year	-	-	(3,422)	(3,422)
Total comprehensive income for the year	-	-	(3,422)	(3,422)
Equity settled share based payment transactions	-	471	-	471
Total transactions with owners	-	471	-	471
At 31 July 2021	10,001	5,747	28,522	44,270

The notes on pages 16 to 38 form part of these financial statements.

1. General information

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

The Company is exempt by virtue of s400 regime of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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' (IFRS101).

These financial statements have been prepared on a going concern basis.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemptions has been taken.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

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

This information is included in the consolidated financial statements of Smiths Group plc as at 31st July 2022 and these financial statements may be obtained from Company Secretary, Smiths Group plc, 11-12 St James's Square, London, SQ1Y 4LB.

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP stated in thousands.

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 profit or loss 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 Statement of Comprehensive Income within 'interest payable and other costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

2.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

IFRS 15 sets out the five-step approach for revenue recognition. This requires
(i) identifying the contract with a customer;
(ii) identifying the performance obligations in the contract;
(iii) determining the transaction price;
(iv) allocating the transaction price to the performance obligations in the contract;
(v) recognising the revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

Turnover from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Turnover from contracts with customers is measured at its transaction price, being the amount of consideration which the Company expects to be entitled to in exchange for transferring promised goods to a customer, net of goods and service tax,returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good promised in the contract. Depending on the substance of the contract, turnover is recognised when the performance obligation is satisfied. Equipment revenue is generally recorded at a point in time on delivery or installation.

2.5 IFRS16 Lease Accounting

On adoption of IFRS16, the Company recognized a lease liability measured at the present value of

2. Accounting policies (continued)

2.5 IFRS16 Lease Accounting (continued)

lease payments to be made over the remaining lease term, which includes periods covered by renewal options the company is reasonably certain to exercise. In calculating the present value of lease payments, the company used the incremental borrowing rate at the lease commencement date.

Also on adoption of IFRS16, the company recognized right of use assets, which are depreciated over the shorter of the lease term and the useful life of the right of use assets.

2.6 Finance costs

Finance costs are charged to profit or loss 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.

2.7 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 profit or loss 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.

2.8 Taxation

Tax is recognised in profit or loss 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. Accounting policies (continued)

2.9 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.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives (years) as follows:

Patents and trademarks	- 10
Computer and software	- 7

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The goodwill arising from acquisitions of subsidiaries after 1 August 1998 is included in intangible assets, tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

2.10 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.

Depreciation is provided on the following basis:

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 profit or loss.

2. Accounting policies (continued)

2.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 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.

2.14 Debtors

Short-term debtors are measured at transaction price, less any 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.

2.15 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.

2.16 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.

2.17 Financial instruments

2. Accounting policies (continued)

2.17 *Financial instruments (continued)*

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 and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

At amortised cost

Financial assets at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing assets 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 asset carried into the balance sheet

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

2. Accounting policies (continued)

2.17 Financial instruments (continued)

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

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.

At fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

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.

Impairments

Investments and other assets are tested for impairment if there are any indications of impairment, in accordance with the accounting policy set out above. The recoverable amount of investments and assets are determined based on value in use calculations unless future trading projections cannot be adjusted to eliminate the impact of a major restructuring. The value in use calculations require the use of estimates including projected future cash-flows and other future events.

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.

Recoverability of debtor balances

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.

4. Turnover

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

	2022 £000	2021 £000
Sale of engineered products	6,463	8,736
	6,463	8,736

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	6,463	8,705
Rest of Europe	-	19
Rest of the world	-	12
	6,463	8,736

Timing of revenue recognition:

	2022 £000	2021 £000
Goods and services transferred at a point in time	6,463	8,736
	6,463	8,736

5. Operating loss

The operating loss is stated after charging:

	2022 £000	2021 £000
Research & development charged as an expense	3	147
Depreciation of tangible fixed assets	230	244
Amortisation of intangible assets, including goodwill	1	1
Exchange differences	97	(54)

6. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**85**	*59*

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

7. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	**5,074**	*4,910*
Social security costs	**534**	*948*
Defined contribution scheme	**288**	*221*
Share based compensation	**573**	*471*
	6,469	*6,550*

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

	2022 No.	2021 No.
	46	*47*

8. Directors remuneration

	2022 £000	2021 £000
Directors' emoluments	633	447
Company contributions to defined contribution pension scheme	36	22
	669	469

The highest paid director received remuneration of £317,000 (2021: £328,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2021: £14,000).

9. Interest receivable and other income

	2022 £000	2021 £000
Interest receivable from group companies	24	68
Net gain on financial assets carried at fair value	-	54
	24	122

10. Interest payable and other expenses

	2022 £000	2021 £000
Bank interest payable	23	15
Interest on lease liabilities	11	13
Exchange rate on bank account	97	-
	131	28

11. Current tax credit

	2022 £000	*2021* *£000*
Corporation tax		
Current tax on profits for the year	**(41)**	*(98)*
	(41)	*(98)*
Total current tax	**(41)**	*(98)*
Deferred tax		
Total deferred tax	**-**	*-*
Taxation on loss on ordinary activities	**(41)**	*(98)*

Factors affecting tax credit for the year

The tax assessed for the year is the same as *(2021 - the same as)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)* as set out below:

	2022 £000	*2021* *£000*
Loss on ordinary activities before tax	**(2,062)**	*(3,520)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(391)**	*(669)*
Effects of:		
Impairment of investment	**268**	*669*
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	**80**	*-*
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	**(41)**	*(99)*
Group relief	**43**	*1*
Total tax charge for the year	**(41)**	*(98)*

Factors that may affect future tax charges

11. Current tax credit (continued)

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the company's deferred tax balances.

12. Intangible assets

	Patents £000	Computer software £000	Total £000
Cost			
At 1 August 2021	40	759	799
At 31 July 2022	40	759	799
Amortisation			
At 1 August 2021	39	759	798
Charge for the year on owned assets	1	-	1
At 31 July 2022	40	759	799
Net book value			
At 31 July 2022	-	-	-
At 31 July 2021	*1*	-	*1*

13. Tangible assets

	Right of Use Assets £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 August 2021	**967**	**1,199**	**116**	**2,772**	**5,054**
Additions	**36**	**52**	**-**	**-**	**88**
Disposals	**-**	**-**	**-**	**(2)**	**(2)**
At 31 July 2022	**1,003**	**1,251**	**116**	**2,770**	**5,140**
Depreciation					
At 1 August 2021	**473**	**1,112**	**116**	**2,626**	**4,327**
Charge for the year on owned assets	**162**	**20**	**-**	**48**	**230**
At 31 July 2022	**635**	**1,132**	**116**	**2,674**	**4,557**
Net book value					
At 31 July 2022	**368**	**119**	**-**	**96**	**583**
At 31 July 2021	*494*	*87*	-	*146*	*727*

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2022 £000	*2021 £000*
Tangible fixed assets owned	**215**	*233*
Right-of-use tangible fixed assets	**368**	*494*
	583	*727*

13. Tangible assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	2022 £000	*2021 £000*
Property	323	*458*
Motor vehicles	45	*36*
	368	*494*

Depreciation charge for the year ended

	2022 £000	*2021 £000*
Property	136	*145*
Motor vehicles	(26)	*25*

Additions to right-of-use assets

	2022 £000	*2021 £000*
Additions to right-of-use assets	36	*47*

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2021	**6,005**
Amounts written off	**(1,411)**
At 31 July 2022	**4,594**
Net book value	
At 31 July 2022	**4,594**
At 31 July 2021	*6,005*

Due to declining profitability, an impairment charge of £1.411,000 has been incurred in the period in the Company's investment in Hypertac SA to its recoverable amount using fair value less costs of disposal. The recoverable amount is categorised as level 3 based on the carrying value of the entity's net assets.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Hypertac SA	31 Rue Isidore Maille, 76140, Saint Aubin Les Elbeuf, France	Ordinary	100%
Smiths Connectors Tunisia Sarl	Zone Industrielle, Route de Khniss, Rue Isidore Maille, Monastir	Ordinary	0%
Smiths Interconnect Mexico S de R.L. de C.V	Carretera Libre Antiguo Camino Tijuana 20221-B, Fideicomiso el Florido, Tijuana, B.C. 22234	Ordinary	50%

15. Stocks

	2022 £000	2021 £000
Raw materials and consumables	13	13
Finished goods and goods for resale	94	88
	107	101

16. Debtors

	2022 £000	*2021 £000*
Due after more than one year		
Amounts owed by group companies	**35,304**	*20,439*
	35,304	*20,439*

The interest rate on loans with group undertakings due after more than one year was 0.50% (2021: 0.50%). The interest is calculated at a rate per annum of 12 month GBP LIBID. The loan is repayable by 31 July 2024.

	2022 £000	*2021 £000*
Due within one year		
Trade debtors	**1,220**	*1,455*
Amounts owed by group companies	**3,544**	*18,683*
Income tax receivable	**139**	*200*
Prepayments and accrued income	**217**	*90*
	5,120	*20,428*

17. Cash and cash equivalents

	2022 £000	*2021 £000*
Cash at bank and in hand	**419**	*675*
	419	*675*

18. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Lease liabilities	162	59
Trade creditors	207	207
Taxation and social security	324	313
Amounts due to group undertakings	-	694
Accruals and deferred income	2,178	2,220
Financial instruments	53	-
	2,924	3,493

19. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Intercompany loans	169	169
Lease liabilities	212	444
	381	613

20. Financial instruments

	2022 £000	2021 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	40,704	41,342
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(53)	-
Financial liabilities measured at amortised cost	(3,252)	(4,106)
	(3,305)	(4,106)

21. Called up share capital

	2022	*2021*
	£000	*£000*
Allotted, called up and fully paid		
10,001,000 *(2021 - 10,001,000)* ordinary shares shares of £1.00 each	**10,001**	*10,001*

22. Reserves

Other reserves

The capital contribution resulting from the provision of Group Share option schemes have been recognized in the Statement of Comprehensive Income.

23. 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 a three-year performance period if performance conditions are met. LTIP awards are made to selected senior executives, including the Executive Directors.

LTIP performance conditions

Each performance condition has a threshold below which no shares vest and a maximum performance target at or above which the award vests in full. For performance between 'threshold' and 'maximum', awards vest on a straight-line sliding scale. The performance conditions are assessed separately; so performance on one condition does not affect the vesting of the other elements of the award. To the extent that the performance targets are not met over the three-year performance period, awards lapse. There is no re-testing of the performance conditions.

LTIP awards have performance conditions relating to organic revenue growth, growth in headline EPS, ROCE, free cash-flow and meeting ESG targets.

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. 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. The number of shares is 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.

Smiths Excellence Plan (SEP)

The last Smiths Excellence plan (SEP) grant was issued in October 2019, vested on 31 July 2021 and exercised in October 2021. No further SEP awards have been made.

Range of exercise prices and remaining contractual life

Options outstanding under LTIP schemes at 31 July 2022 have an exercise price of £0.00 (2021: £0.00), with a weighted average remaining contractual life of 1.5 years (2021: 1.4 years).

Options outstanding under SAYE schemes at 31 July 2022 had exercise prices between £9.14 and £12.84 (2021: £9.14 and £13.00), with a weighted average contractual life of 1.4 years (2021: 2.4 years).

Options were exercised on an irregular basis during the period. The average closing share price over the financial year was £14.76p (2021: £15.09p).

Cost of share-based payment arrangements

Included within staff costs is an expense arising from share-based payment transactions of £573,000 (2021: £471,000).

24. Related party transactions

The key management personnel of the company comprise its directors. Details of their remuneration are provided in note 8.

As a subsidiary of Smiths Group plc during the period from 1 August 2021 to 31 July 2022, the company has taken advantage of the exemption of paragraph 17 and 18A of IAS 24 Related Party Disclosures of FRS 101 not to disclose transactions with other wholly owned members of the group headed by Smiths Group plc.

During the year there were no related party transactions (2021: £Nil).

25. Controlling party

At 31 July 2022, 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, SQ1Y 4LB.