
SMITHS DETECTION GROUP LIMITED

UNAUDITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023



SMITHS DETECTION GROUP LIMITED

COMPANY INFORMATION

Directors R. H. C. Carter (resigned 26 March 2024)
A. C. McInnes
J. de Chasseay (appointed 26 March 2024)

Registered number 05138140

Registered office C/O Smiths Detection-Watford Limited
Century House
Hemel Hempstead
Hertfordshire
HP2 7DE

SMITHS DETECTION GROUP LIMITED

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SMITHS DETECTION GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2023

Introduction

The directors present their strategic report and the unaudited financial statements for Smiths Detection Group Limited ("the Company") for the year ended 31 July 2023.

Business review

The Company's principal activity is that of an investment holding and divisional management company for the Detection entities within Smiths Group plc ("the Group").

The Company's principal source of income is dividends from subsidiaries, interest on loans to Group undertakings and income from provision of services to other group entities. Expenses incurred by the Company are recharged to its subsidiaries and Group undertakings.

The Company had investments in subsidiary undertakings of £971.2m (2022: £869.3m).

The Company's loss before tax for the financial year is £18.7m (2022: profit £16.9m) and at 31 July 2023 the Company held net assets of £669.9m (2022: £764.6m).

Dividends were paid amounting to £76.4m (2022: £nil).

Principal risks and uncertainties

The directors of Smiths Group plc manage the Smiths Group risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a disclosure of the Company's risk profile would not be appropriate for an understanding of the activities of Smiths Detection Group Limited. See the Smiths Group plc Annual Report and Accounts for the year ended 31 July 2023 pages 66 to 74 for a description of the Smiths Group plc risk management and key risks.

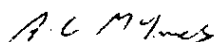
Financial key performance indicators

The directors of Smiths Group plc manage the Group's operations on a consolidated basis using divisional KPI's. 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 Smiths Detection Group Limited. The development, performance and position of the Detection division of Smiths Group plc, which includes the Company, is discussed in the Business review section of the Group's Annual report, which does not form part of this report.

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

The directors' Section 172 statement can be found in the Directors Report.

This report was approved by the board on 23 May 2024 and signed on its behalf.



A. C. McInnes
Director

SMITHS DETECTION GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2023

The directors present their report and the financial statements for the year ended 31 July 2023.

Directors' responsibilities statement

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.

Results and dividends

The loss for the year, after taxation, amounted to £18.7m (2022 - £16.1m profit).

Dividends were paid amounting to £76.4m (2022: £nil).

Directors

The directors who served during the year were:

R. H. C. Carter (resigned 26 March 2024)
A. C. McInnes

Future developments

It is the intention of the directors that the Company will continue to operate as an investment holding and divisional management company for the foreseeable future.

SMITHS DETECTION GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2023**

Going concern

The Company's loss for the financial year is £19.0m (2022 Profit: £16.1m) and at 31 July 2023 the Company held net assets of £669.8m (2022: £764.6m), however debtors and creditors due within one year were in a net liability position of £339.8m (2022: £207.1m). The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its ultimate parent company, Smiths Group Plc.

SMITHS DETECTION GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2023

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

SECTION 172 STATEMENT

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.

Board governance

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 Directors fulfil their duties substantially through a governance framework that delegates day-to-day decision making to the cross-functional senior management team and other employees of the Company. 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. The Directors believe that governance is best achieved by delegation of their authority subject to defined limits detailed in a clear delegation of authority policy. This policy is consistently embedded across the Smiths Detection group of companies. The governance framework delegates authority for some decision-making to regional subsidiaries up to defined levels of cost and impact, which allows the Company's subsidiaries to take account of the needs of their local stakeholders in decision making. These subsidiaries report regularly to the Company. Subsidiary companies refer decisions up to the Company as holding company of the Detection group of companies where such decisions are outside of the authority delegated by the Company to its subsidiaries.

The Company's purpose is underpinned by principles and values of integrity, respect, ownership, customer focus and passion. These values are adopted from the Company's ultimate parent, Smiths Group plc and are deeply embedded in the Company's culture, helping to shape decision-making.

Engaging with Stakeholders

The Company acknowledges that the success of the Company is dependent on the support of various stakeholders. The Board considers its stakeholders to be our shareholders, customers, employees and wider workforce, suppliers, local communities, lenders and the environment. The Company also took account the views and interests of a wider set of stakeholders including our regulators, the government, and non-government organisations. 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 will operate the business in a sustainable way.

The Company does not engage directly with shareholders of its ultimate parent company; however, the Company has regard to the creation of sustainable long-term value for the group's shareholders in decision making. Management of risk is a fundamental part of the business model and systems are in place to identify, report and mitigate risk in the activities of the Company and its subsidiaries.

The Company maintains an open dialogue with its workforce and employees of its subsidiaries. The Company engaged with the workforce through a number of methods in the financial reporting year including town-hall style meetings at site and divisional level, regular news bulletins and briefings from the Board, and employee "My Say" surveys where employees can provide anonymous feedback.

Given the global footprint of the Smiths Detection group and the nature of its business, the Company actively engages with regulatory bodies ensuring that it is keeping up to date with industry regulations and best practice.

SMITHS DETECTION GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2023

In respect of maintaining a reputation for high standards of business conduct, the Company recognises that culture, values and standards are key to the Company's creation and sustainment of value in the longer term. High standards of conduct guide and assist decision-making within the Company. The Company adopts the policies and practices set at the Smiths Group level, including the Code of Ethics and Group compliance policies. All employees of the Company engage in regular training on ethics matters and are encouraged to report any ethics concerns through a confidential "Speak Out" helpline.

Further explanations of how the Smiths Group Plc board has considered matters set out in section 172 (for the Group and for the Company) can be found on pages 58 to 63 of the Group Annual Report and Accounts for the year ended 31 July 2023, which does not form part of this report.

Employment policies

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

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

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

Independent auditor

The company is entitled to exemption from audit under section 479A of the Companies Act, 2006 relating to subsidiary companies for the year ended 31st July 2023.

Post balance sheet events

J de Chassey was appointed as director of the company on 26 March 2024 and R. H. C Carter resigned as director on 26 March 2024.

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

This report was approved by the board on 23 May 2024 and signed on its behalf.

A. C. McInnes

A. C. McInnes
Director

SMITHS DETECTION GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2023**

	Note	2023 £000	2022 £000
Administrative expenses		(57,256)	<i>(39,388)</i>
Other operating income		43,344	<i>10,312</i>
Operating loss	5	(13,912)	<i>(29,076)</i>
Income from shares in group undertakings		2,546	<i>5,977</i>
Amounts written off investments		(340)	<i>42,653</i>
Interest receivable and similar income	9	3,337	<i>680</i>
Interest payable and similar expenses	10	(10,369)	<i>(3,287)</i>
(Loss)/profit before tax		(18,738)	<i>16,947</i>
Tax on (loss)/profit	11	(286)	<i>(823)</i>
(Loss)/profit for the financial year		(19,024)	<i>16,124</i>
Total comprehensive income for the year		(19,024)	<i>16,124</i>

The notes on pages 10 to 29 form part of these financial statements.

SMITHS DETECTION GROUP LIMITED
REGISTERED NUMBER: 05138140

BALANCE SHEET
AS AT 31 JULY 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	5,269	4,974
Investments	14	971,183	869,303
		<u>976,452</u>	<u>874,277</u>
Current assets			
Debtors: amounts falling due after more than one year	15	33,258	97,367
Debtors: amounts falling due within one year	15	17,562	27,373
Cash at bank and in hand	16	101	100
		<u>50,921</u>	<u>124,840</u>
Creditors: amounts falling due within one year	17	(357,376)	(234,454)
Net current liabilities		<u>(306,455)</u>	<u>(109,614)</u>
Total assets less current liabilities		<u>669,997</u>	<u>764,663</u>
Provisions for liabilities			
Other provisions	19	(133)	(100)
		<u>(133)</u>	<u>(100)</u>
Net assets		<u>669,864</u>	<u>764,563</u>
Capital and reserves			
Share premium account		355,233	355,233
Other reserves		6,815	6,082
Profit and loss account		307,816	403,248
		<u>669,864</u>	<u>764,563</u>

SMITHS DETECTION GROUP LIMITED
REGISTERED NUMBER: 05138140

BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2023

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 May 2024.

A. C. McInnes

A. C. McInnes
Director

The notes on pages 10 to 29 form part of these financial statements.

SMITHS DETECTION GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2023**

	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 August 2021	355,233	5,452	387,124	747,809
Profit for the year	-	-	16,124	16,124
Share based payments	-	630	-	630
At 1 August 2022	355,233	6,082	403,248	764,563
Loss for the year	-	-	(19,024)	(19,024)
Dividends paid	-	-	(76,408)	(76,408)
Share based payments	-	733	-	733
At 31 July 2023	355,233	6,815	307,816	669,864

The notes on pages 10 to 29 form part of these financial statements.

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

1. General information

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The registered number is 5138140 and the registered address is Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7DE.

The Company is exempt by virtue of section 400 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' 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).

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 ("Adopted IFRSs"), and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent is Smiths Group plc which prepares publicly available consolidated group financial statements. These statements include results of the Company. Accordingly the Company has not prepared consolidated financial statements as permitted by section 400 of the Companies Act 2006.

The following principal accounting policies have been applied:

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

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 IAS 7 Statement of Cash Flows;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures required by IFRS 5 Non-current assets held for sale and discontinued operations in respect of the cashflows of discontinued operations;
- 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;
- An additional balance sheet for the beginning of the earliest comparative period;
- Certain disclosures required by IFRS 3 business combinations in respect of business combinations undertaken by the company;
- 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company's ultimate parent undertaking, Smiths Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Smiths Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from www.smiths.com.

2.3 Other operating income

Other operating income is derived from providing services to other group entities.

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

2. Accounting policies (continued)

2.4 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.

2.5 Interest receivable

Interest income is recognised in profit or loss using the effective interest method.

2.6 Interest payable

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.

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.8 Share based payments

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.

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 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.

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.9 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Intangible assets

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

The estimated useful lives range as follows:

Computer software	-	up to 7 years
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2.11 Impairment of intangible assets

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.

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.12 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 Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.13 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.

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 profit or loss 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 and financial liabilities are initially measured at fair value.

Financial assets

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

2. Accounting policies (continued)

2.17 Financial instruments (continued)

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.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

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 other operating income and expenses during the reporting period. Actual results may differ from these estimates. The key estimates and assumptions used in these financial statements are set out below.

Recoverability of Investments

Investments and other assets are tested for impairment, if there are any indications of impairment, in accordance with the accounting policy set out in note 2.11. For businesses acquired during the year, the recoverable amount has been calculated on a fair value less cost to sell basis. For all other investments and assets, the recoverable amounts 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. Key assumptions used in the value in use calculations were the business' operating margin expected to be realised in future periods and the appropriate discount and perpetuity growth rates."

4. Other operating income

	2023 £000	2022 £000
Other operating income	43,344	10,312
	<u>43,344</u>	<u>10,312</u>

5. Operating loss

The operating loss is stated after charging:

	2023 £000	2022 £000
Research & development charged as an expense	4,862	5,837
Amortisation of intangible assets, including goodwill	989	771
Exchange differences	(16)	146
Defined contribution pension cost	749	643
	<u>749</u>	<u>643</u>

6. Income from shares in group undertakings

Total dividends received during the year were £2,546k (2022: £5,977k).

£2,487k was received on 20 April 2023 from Smiths Detection (Asia Pacific) Pte. Ltd and £59k was received on 19 December 2022 from Smiths Detection Japan Gk.

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

7. Employees

Staff costs were as follows:

	2023	2022
	£000	£000
Wages and salaries	12,383	9,897
Social security costs	1,633	1,151
Other pension costs	749	643
	14,765	11,691

Share based payments were £732k (2022: £630k).

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

	2023	2022
	No.	No.
Administration	94	91

8. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	1,479	1,001
Company contributions to defined contribution pension schemes	16	15
	1,495	1,016

The directors provide services both to the Company and a number of other related Smiths Detection Group Limited entities.

Company contributions for defined contribution pension schemes were made for one director (2022: 1).

During the financial year two directors (2022: no Directors) exercised options over shares of Smiths Group plc.

The emoluments for the highest paid director during the year was £1,059k (2022: £677k). There were options exercised by the highest paid director during the year.

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

9. Interest receivable and similar income

	2023	2022
	£000	£000
Interest receivable from group companies	3,288	680
Other interest receivable	49	-
	3,337	680
	3,337	680

10. Interest payable and similar expenses

	2023	2022
	£000	£000
Bank interest payable	91	43
Other loan interest payable	7	8
Interest payable on loans from group undertakings	10,271	3,236
	10,369	3,287
	10,369	3,287

11. Taxation

	2023	2022
	£000	£000
Corporation tax		
Current tax (received)/paid on profits for the year	(3)	331
	(3)	331
Foreign tax		
Foreign tax on income for the year	289	492
	289	492
Total current tax	286	823
Deferred tax		
Total deferred tax	-	-
Taxation on loss/profit on ordinary activities	286	823

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 21% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
(Loss)/profit on ordinary activities before tax	(18,738)	16,947
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2022 - 19%)	(3,935)	3,220
Effects of:		
Expenses not deductible for tax purposes	74	7
Tax charges in foreign jurisdictions	289	492
Unrecognised deferred tax	208	146
Non taxable income	(535)	(1,136)
Group relief	4,180	(2,237)
Adjustments to tax charge in respect of prior periods	5	331
Total tax charge for the year	286	823

Factors that may affect future tax charges

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

From 1 April 2023 the Corporation Tax main rate increased to 25% applying to profits over £250,000. A small profits rate (SPR) was also introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

12. Dividend paid

	2023	2022
	£000	£000
Ordinary dividend	76,408	-
	76,408	-

The company paid a dividend of £9,551k (2022: £nil) per share during the year

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

13. Intangible assets

	Computer software £000
Cost	
At 1 August 2022	27,406
Additions - external	1,284
At 31 July 2023	<u>28,690</u>
Amortisation	
At 1 August 2022	22,432
Charge for the year on owned assets	989
At 31 July 2023	<u>23,421</u>
Net book value	
At 31 July 2023	<u>5,269</u>
At 31 July 2022	<u>4,974</u>

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2022	869,303
Additions	102,220
Amounts written off	(340)
At 31 July 2023	<u>971,183</u>

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

14. Fixed asset investments (continued)

Subsidiary undertakings

During the period there was an additional investment in Smiths Detection US Holdings LLC of £102,220k.

Following an impairment valuation it was determined that its investment in SDBR Comercio De Equipamentos De Seguanca LTDA be impaired by £340k, prior to its liquidation on 10 July 2023.

Smiths Detection Japan Gk was dissolved on 21 December 2022.

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Smiths Detection Investments Limited	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England	Ordinary	100%
Smiths Detection-Watford Limited	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England	Ordinary	100%
Smiths Detection Ireland Limited	Deloitte Offices, 6 Lapps Quay, Cork, Ireland	Ordinary; Ordinary B; Ordinary D; Series C	100%
Smiths Detection (Australia) Pty Ltd	Botany Grove Estate Unit 5, 14A Baker Street, Botany, NSW 2019, Australia	Ordinary	100%
Smiths Detection GmbH	Im Herzen 4, Wiesbaden, 65205, Germany	Shares	100%
Smiths Detection Italia srl	Via Giotto 3, 20835, Muggio (MB), Italy	Quota Value of Shares	100%
Smiths Detection (Asia Pacific) Pte. Ltd	20, Pasir Panjang Road, #13-26 Mapletree Business City, 117439, Singapore	Ordinary	100%
Smiths Detection Malaysia Sdn Bhd	Menara LGB, 1, Jalan Wan Kadir Taman Tun Dr Ismail, 60000 Kuala Lumpur, WPKL, Malaysia	Ordinary	100%
Smiths Detection Systems Private Limited	Vardhman Crown Mall, Unit No. 300 3rd Floor, Sector 19 Dwarka, New Delhi 110075, India	Class A Equity Shares; Class B Equity Shares	100%

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Smiths Detection Inc	The Corporation Trust Company of Nevada, 701 S Carson Street, Suite 200, Carson City, NV, 89701, United States	Common Stock	100%
Smiths Detection US Holdings LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Membership interests	100%
Smiths Detection Germany GmbH	Im Herzen 4, Wiesbaden, 65205, Germany	Ordinary	100%
Smiths Detection Middle East Fze	Dubai Airport free Zone, PO Box 48225, Dubai, United Arab Emirates	Shares	100%
Smiths Detection Rus LLC	Room 501, Floor 5, bid.1, 5-104 Octyabrskaya Emb., St. Petersburg 193079, Russian Federation	Ordinary	100%
Smiths Detection Montreal Inc.	3700, Stock Exchange Tower, P.O Box 242, 800 Place Victoria, Montreal, PQ, H4Z 1E9, Canada	Class A Shares; Class B Shares	100%
Smiths Detection France S.A.S.	36 Rue Charles Heller, Vitry sur Seine, F-94400, France	Shares	100%
Smiths Detection (Thailand) Limited	99/3 Moo 5, Kingkaew Road, Tambol Rajatheva, Amphoe Bangplee, Samutprakarn Province, 10540, Thailand	Pref; Ordinary	100%
Smiths Detection New Zealand Limited	Deloitte, Level 18, 80 Queen street, Auckland 1010, New Zealand	Ordinary	100%
Smiths Detection Saudi Arabia Ltd	Building 7, Zone A, Airport road, Business Gate, P.O Box Riyadh 11683, 93597, Saudi Arabia	Shares	100%
Zamor KG	Tolzer Strasse, 15 82031, Grunwald, Germany	Ordinary	48%

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Smiths Detection Hong Kong Limited	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong	Ordinary	100%
Smiths Detection International LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Equity Interests	100%
MDII Investments LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Ordinary	100%
Smiths Detection Mexico S. de RI de C.v.	Paseo De La Reforma 505, Col, Cuauhtemoc, 6500, Ciudad De Mexico	Partes Sociales	100%
SMO Detection Equipment (Shanghai) Co., Ltd	Room 923B, No 55, Xili Road, Shanghai, (China) Pilot, Free Trade Zone, China	Ordinary	100%
Detection Technologies Egypt	Nile City Towers, North Tower, 22nd Floor, Ramlet Boulaq, Nile Cournich, Cairo, Egypt	Quotas	100%
Smiths Detection US, LLC	1209 Orange Street, Wilmington, DE, 19801, United States	Ordinary	100%
Asset and Intelligence Management Services, LLC	1209 Orange Street, Wilmington, DE, 19801, United States	Ordinary Stock	100%
Smiths Detection Benelux BV	Bergen 9, 2993 LR Barendrecht, Netherlands	Ordinary	100%
Smiths Detection Kuwait Security Devices and Systems, their Installation and Maintenance (LLC) (registered address of parent)	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England	Cash share	49%
Smiths Detection Security Systems Llc	Building B10, Industrial Mussaffah, M44, Sector 15, Abu Dhabi, United Arab Emirates	Shares	49%

The holding percentage shown in the table above is the total holding percentage and includes both direct and indirect holdings.

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

15. Debtors

	2023	2022
	£000	£000
Due after more than one year		
Amounts owed by group undertakings	33,258	97,367
	33,258	97,367
	33,258	97,367
	2023	<i>Restated</i> 2022
	£000	£000
Due within one year		
Amounts owed by group undertakings	16,099	26,791
Other debtors	556	116
Prepayments and accrued income	907	466
	17,562	27,373
	17,562	27,373

As at 31 July 2023 the amounts due within one year from group undertakings arose from interest-free costs recharged to subsidiaries of Smiths Detection Group Limited totalling £9m. A credit period of 30 days is given for intra-group trading invoices.

The amounts owed by group undertakings falling due after more than one year and the inter-company loans falling due within one year carry interest at 12 month SONIA rates plus margins of 1.5% to 3%, which is considered to be an arm's length interest rate.

None of the inter-company loans receivable are repayable on demand.

The prior year total for debtors due within one year remains the same but items in this note have been re-mapped to align with the current year definitions.

16. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	101	100
	101	100
	101	100

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

17. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Trade creditors	537	240
Amounts owed to group undertakings	351,431	232,164
Corporation tax	-	4
Other taxation and social security	634	417
Other creditors	192	-
Accruals and deferred income	4,582	1,629
	<u>357,376</u>	<u>234,454</u>

Loans owing to the parent undertaking, falling due within one year, are repayable on demand and carry interest at 12 month sterling SONIA rates plus a margin of 1.5%.

18. Financial instruments

	2023	2022
	£000	£000
Financial assets		
Financial assets measured at fair value through profit or loss	101	100
Financial assets that are debt instruments measured at amortised cost	42,780	114,194
	<u>42,881</u>	<u>114,294</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(356,346)</u>	<u>(234,033)</u>

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

19. Provisions

	Other provisions £000
At 1 August 2022	100
Charged to profit or loss	33
At 31 July 2023	133

Other provisions represent legal costs and expected to be utilised within 12 months from the balance sheet date.

20. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
8 (2022 - 8) Ordinary shares of £1.00 each	-	-

SMITHS DETECTION GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

21. Employee share scheme

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

Range of exercise prices and remaining contractual life

Options outstanding under LTIP schemes at 31 July 2023 have an exercise price of £0.00 (2022: £0.00), with a weighted average remaining contractual life of 1.5 years (2022: 1.5 years).

Options outstanding under SAYE schemes at 31 July 2023 had exercise prices between £9.14 and £13.37 (2022: £9.14 and £13.00), with a weighted average contractual life of 1.3 years (2022: 1.6 years).

Options were exercised on an irregular basis during the period. The average closing share price over the financial year was £16.30p (2022: £14.76p).

Cost of share-based payment arrangements

Included within staff costs is an expense arising from share-based payment transactions of £723k (2022: £630k).

22. Contingent liabilities

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

SMITHS DETECTION GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

23. Pension commitments

The total expense recognised in the profit and loss account in respect of defined contribution pensions was £749k (2022: £643k).

The assets of the Smiths Industries Pension Scheme are held in a separate trustee-administered fund and the pensions costs are assessed in accordance with the advice of independent, professionally qualified actuaries. Further details of these pension plans, the actuarial assumptions used and the latest actuarial valuations can be found in the consolidated financial statements of Smiths Group plc for the year ended 31 July 2023.

24. Controlling party

Smiths Detection Group Limited is a wholly owned subsidiary of Smiths Group International Holdings.

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

The Annual Report of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, Level 10, 255 Blackfriars Road, London, England, SE1 9AX.