

Registered Number 480992

SMITHS DETECTION - WATFORD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

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SMITHS DETECTION - WATFORD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

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SMITHS DETECTION - WATFORD LIMITED

STRATEGIC REPORT

The directors present their strategic report on Smiths Detection - Watford Limited ("the Company") for the year ended 31 July 2014.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

The results for the year show turnover of £38,368k (2013: £46,599k) and operating loss of £6,325k (2013: profit £354k) for the year. The movement in turnover is reflective of the fact that in 2013 the Company had two large one-off contracts together worth in excess of £5,800k which were not repeated in 2014. In addition, operating profit was negatively impacted by £4,200k following a review of slow moving stock and the need for an additional provision.

No dividends were paid in the year ended 31 July 2014 (2013: £nil). The directors do not recommend the payment of a final dividend.

Amounts due to group undertakings include £11,222k (2013: £18,325k) owed to the holding company, Smiths Detection Group Limited, which at balance sheet date was repayable on 31 July 2017 or on demand.

FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

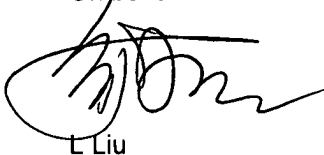
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are: markets served by the Company are particularly influenced by the political landscape, specific events and the perception of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

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

KEY PERFORMANCE INDICATORS

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

On behalf of the Board



L Liu
Director

15 September 2014

SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Smiths Detection - Watford Limited ("the Company") for the year ended 31 July 2014.

FINANCIAL RISK MANAGEMENT

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

Operational credit risk

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

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

Foreign exchange risks

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

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements (except as noted) are given below:

A P Lee

L Liu (appointed 7 May 2014)

S Doherty (resigned 1 April 2014)

R C Wilson (resigned 9 May 2014)

RESEARCH AND DEVELOPMENT

Products are being continually upgraded to provide greater levels of threat detection and to meet the customers' most demanding requirements. The Company is investing mainly in new chemical and explosive detection products.

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

TANGIBLE FIXED ASSETS

The Company's land and buildings are used for developmental and rental purposes and are not held for resale. The directors consider that the difference between their market value and the value at which they are included in the balance sheet is not significant enough to be drawn to the attention of the shareholders.

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.

SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT

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.

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.

CHARITABLE DONATIONS

The Company has made donations of £522 (2013: £480). The donations are made to a variety of UK charities including military and civil charities.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company's policy and practice is to pay creditors promptly in accordance with agreed terms of business. Trade creditors in the balance sheet at 31 July 2014 represent an average of 32 days of purchases (2013: 38 days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 AND DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that:

(a) so far as the directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and

(b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

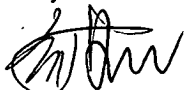
SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'L Liu', written over a circular stamp or seal.

L Liu
Director

15 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS DETECTION - WATFORD LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 July 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Smiths Detection - Watford Limited, comprise:

- the Balance Sheet as at 31 July 2014;
- the Profit and Loss Account and the Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS DETECTION - WATFORD LIMITED

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
15 September 2014

SMITHS DETECTION - WATFORD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2014

	Note	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Turnover	2	38,368	46,599
Cost of sales		<u>(32,222)</u>	<u>(34,565)</u>
Gross profit		6,146	12,034
Operating expenses		(3,214)	(3,619)
Administrative expenses		<u>(9,257)</u>	<u>(8,061)</u>
Operating (loss)/profit	3	(6,325)	354
Interest receivable and similar income	6	7	8
Interest payable and similar charges	7	<u>(696)</u>	<u>(851)</u>
Loss on ordinary activities before taxation		(7,014)	(489)
Tax on loss on ordinary activities	8	<u>320</u>	<u>(806)</u>
Loss for the financial year	17	<u>(6,694)</u>	<u>(1,295)</u>

There is no material difference between the loss for the financial years stated above and the loss calculated on a historical cost basis.

The loss for the financial year arose from continuing activities.

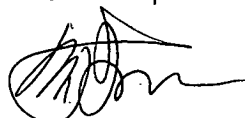
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2014

	Note	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Loss for the financial year		(6,694)	(1,295)
Fair value gains/(losses) on cash flow hedges	14	<u>(68)</u>	<u>17</u>
Total recognised losses		<u>(6,762)</u>	<u>(1,278)</u>

BALANCE SHEET AS AT 31 JULY 2014

	Notes	31 July 2014 £'000	31 July 2013 £'000
Fixed assets			
Tangible assets	9	6,174	6,693
Investments	10	4	4
		<u>6,178</u>	<u>6,697</u>
Current assets			
Stocks	11	4,875	10,768
Debtors			
- amounts falling due within one year	12	5,511	7,887
Tax	8	320	-
Derivative financial instruments			
- amounts falling due within one year	14	346	45
Cash at bank and in hand		<u>260</u>	<u>4,653</u>
		11,312	23,353
Creditors amounts falling due within one year	13	(20,739)	(26,467)
Derivative financial instruments	14	(62)	(21)
		<u>(20,801)</u>	<u>(26,488)</u>
Net current liabilities		<u>(9,489)</u>	<u>(3,135)</u>
Total assets less current liabilities		(3,311)	3,562
Derivative financial instruments	14	-	(1)
Provisions for liabilities	15	(175)	(398)
		<u>(175)</u>	<u>(399)</u>
Net (liabilities) / assets		<u>(3,486)</u>	<u>3,163</u>
Capital and reserves			
Called up share capital	16	77	77
Share premium account	17	630	630
Capital reserve	17	1,380	1,267
Hedge reserve	17	(43)	25
Profit and loss account	17	<u>(5,530)</u>	<u>1,164</u>
Total shareholders' (deficit) / funds	18	<u>(3,486)</u>	<u>3,163</u>

The financial statements and related notes on pages 7 to 26 were approved by the board of directors on 15 September 2014 and were signed on its behalf by:



L Liu
Director

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared for Smiths Detection - Watford Limited (the "Company") in accordance with the Companies Act 2006 and all applicable accounting standards in the United Kingdom "UK GAAP".

These financial statements have been prepared on a going concern basis and under the historical cost convention as modified to include revaluation of certain financial instruments.

There is no uncertainty regarding the Company's ability to repay its liabilities as they fall due. Amounts due to group undertakings include £11,222k (2013: £18,325k) owed to the holding company which at balance sheet date was repayable on 31 July 2017 or on demand.

The accounting policies have been applied consistently with the prior year, other than where new policies have been adopted.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern

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

Cash flow statement

A cash flow statement in accordance with "FRS 1 (Revised 1996) Cash flow statements" has not been prepared because all the voting rights of the Company are ultimately controlled by Smiths Group plc, which presents a cash flow for the Group within its consolidated financial statements.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of amounts recoverable from third parties.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any recognised impairment losses.

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives. In general, the rates used are:

- Freehold and long leasehold buildings – 2%;
- Plant and machinery – 10% to 20%;
- Fixtures, fittings, tools, motor vehicles and other equipment – 10% to 33%.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No interest is capitalised as part of tangible fixed assets.

Investments

The Company's investment in shares in group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES (CONTINUED)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost of raw materials is determined on a weighted average basis, comparison of this is made to first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

During the year a review of slow moving stocks was undertaken. This led to a provision adjustment of £4,200k.

Provisions

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

Provisions are discounted where the time value of money is material.

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

Trade and other debtors

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

Cash

Cash includes cash at bank and in hand less any bank overdrafts.

Financial assets

Financial assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price used includes transaction costs unless the asset is being fair valued through the profit and loss account.

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates their designation at each reporting date. Assets are classified as: loans and receivables or financial assets where changes in fair value are charged (or credited) to the profit and loss account.

The subsequent measurement of financial assets depends on their classification. Loans and receivables are measured at amortised cost using the effective interest method. Financial assets where changes in fair value are charged (or credited) to the profit and loss account are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the profit and loss account in the year in which they arise.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective yield method through the profit and loss account as interest over the life of the loan and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified due within one year unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Derivative financial instruments and hedging activities

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

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

Fair value of financial assets and liabilities

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

The following methods are used to estimate the fair values of the financial instruments:

- cash, trade receivables and payables and floating rate borrowings – the carrying value is a good approximation of the fair value; and
- forward exchange contracts, currency swaps, interest rate instruments and embedded derivatives – net present value of the future cash-flows, calculated using market data at the balance sheet date (principally exchange rates and yield curves).

Cash flow hedge

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

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity reserves and included in the initial measurement of the cost of the asset or liability.

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

Financial guarantees

Financial guarantees are initially recognised at the fair value of the consideration received.

At each subsequent balance sheet date an estimate is made of the payments which will be required under the guarantee in accordance with 'FRS 12: Provisions, contingent liabilities and contingent assets'. The guarantee is then valued at the higher of its initial value less turnover recognised to date and the best estimate of the total payments which will be required under the contract.

Any gains or losses on the contract are recognised in the profit and loss account.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Turnover

Turnover from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, which is usually when title passes.

Turnover from services is recognised in accounting periods in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a portion of the total services to be provided.

Turnover is measured at the fair value of the consideration received, net of trade discounts and sales taxes.

Long-term funded contracts

Where the outcome of a contract can be estimated reliably, turnover and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The assessment of the stage of completion is dependent on the nature of the contract but will generally be based on the estimated proportion of the total contract costs which have been incurred to date. If a contract is expected to be loss making, a provision is recognised for the entire loss.

Pension obligations

The Company's principal arrangements are provided through the independent Smiths Industries Pension Scheme, which is a defined benefit scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme, and accordingly accounts for its contributions to the scheme as if it were a defined contribution scheme in accordance with 'FRS 17: Retirement benefits'.

Share based compensation

The Group operates a number of equity settled share based compensation plans and Smiths Group plc has made grants under these plans to Group employees working for the Company.

The fair value of the shares or share options granted is recognised as an expense over the vesting period to reflect the value of the employee services received. The corresponding credit is treated as a capital contribution from the parent company.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

In accordance with the transitional provisions of 'FRS 20: Share based Payment', no charge had been recognised for grants of equity instruments made before 7 November 2002.

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling at the date of transaction and monetary assets and liabilities denominated in a foreign currency are retranslated at the closing exchange rate at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the retranslation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES (CONTINUED)

Current taxation

The tax on (loss)/profit on ordinary activities includes amounts paid or received for Group relief in respect of tax losses claimed and surrendered in the current year. All current tax liabilities have been assumed by Smiths Group plc, the ultimate parent Company.

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are the difference between the Company's taxable profits and its results as disclosed in the financial statements, arising from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred assets are recognised only when their recovery is considered probable.

Deferred tax is not discounted.

Dividends

Dividends are recognised as a liability in the period in which they are authorised. Interim dividends are recognised when they are paid, and final dividends are recognised when they have been approved by shareholders at the Annual General Meeting.

Related Party Disclosures

The Company has taken advantage of the exemption provided by Paragraph 3(c) of 'FRS 8: Related party disclosures' not to disclose transactions with entities that are part of Smiths Group plc.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

2. TURNOVER

The Company operates in one business segment. The analysis of turnover by geographical area is as follows:

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
United Kingdom	21,102	27,407
USA	8,512	9,311
Canada	939	1,206
Germany	1,418	651
Japan	843	841
Europe - Other	2,165	3,225
Other overseas	3,389	3,958
	<u>38,368</u>	<u>46,599</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Wages and salaries	9,733	10,348
Social security costs	956	1,032
Other pension costs	509	498
Share based compensation (note 25)	113	75
	<u>11,311</u>	<u>11,953</u>
Depreciation of property, plant and equipment	830	749
Amortisation of intangible assets	-	-
Profit on disposal of tangible fixed assets	(10)	(26)
Impairment losses recognised in the year on		
- debtors	20	51
Reversals of impairment losses previously recognised on		
- debtors	-	(2)
Research and development expenses	4,189	3,493
Operating leases		
- land and buildings	22	18
- plant and machinery	252	198
Foreign exchange loss/(gain)	176	(19)
Fees charged by PricewaterhouseCoopers LLP		
- statutory audit fee	62	60
Charitable donations	1	-
	<u>1</u>	<u>-</u>

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

4. DIRECTORS' REMUNERATION

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Aggregate emoluments	130	109
Company contributions in respect of defined contribution pension schemes	<u>9</u>	<u>8</u>

The directors provide services both to the Company and a number of other related Smiths Group plc entities. Aggregate emoluments represent the remuneration which is paid directly from the Company to the directors. Retirement benefits are accruing to one director (2013: two) under a defined contribution pension scheme. During the year one director (2013: one), the highest paid, exercised an option over shares of Smiths Group plc and no directors (2013: nil) received shares of Smiths Group plc under long term incentive schemes. One director (2013: one) received an award under the Smiths Group plc Long Term Incentive Plan and two directors received awards under the Smiths Group Co-Investment Plan (2013: nil).

Highest paid director:

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Aggregate emoluments	130	109
Company contributions in respect of defined contribution pension schemes	<u>9</u>	<u>8</u>

5. EMPLOYEE INFORMATION

The average monthly number of persons employed by the Company was:

	Year ended 31 July 2014	Year ended 31 July 2013
Engineering	65	69
Production	103	116
Selling and distribution	35	37
Administration	<u>15</u>	<u>16</u>
	<u>218</u>	<u>238</u>

The employee numbers disclosed include those directors who work for the Company. No employees (2013: one) were employed outside the United Kingdom.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Interest receivable on cash and deposits	7	-
Foreign exchange gains	<u>-</u>	<u>8</u>
	<u>7</u>	<u>8</u>

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Interest payable on overdraft and bank loans	-	1
Interest payable to group undertakings	681	850
Foreign exchange losses	15	-
	<u>696</u>	<u>851</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Analysis of tax charge		
Current tax		
Research and development tax credit	(258)	-
Adjustment in relation to prior period research and development tax credit	(62)	-
Adjustment in relation to prior period group relief no longer surrendered to ultimate parent company for gain	-	806
Total current tax	<u>(320)</u>	<u>806</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	<u>(320)</u>	<u>806</u>

The tax for the year is different (2013: different) from the standard rate of corporation tax in the UK.
The differences are explained below:

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Loss on ordinary activities before taxation	<u>(7,014)</u>	<u>(489)</u>
UK corporation tax at 22.33% (2013: 23.67%)	(1,566)	(115)
Effects of:		
Fixed asset differences	68	-
Expenses not deductible for tax purposes	27	53
Accelerated capital allowances	-	153
Additional tax allowances	-	(178)
Adjustment in relation to depreciation in excess of capital allowances	126	-
Adjustment in relation to prior period group relief no longer surrendered to ultimate parent company for gain	-	806
Research and development tax credit	(258)	-
Research and development expenditure credits	74	-
Adjustments to tax charge in respect of previous periods	(62)	-
	<u>(1,591)</u>	<u>719</u>
Group relief surrendered to/(from) fellow subsidiary - current year	1,271	87
Total current tax	<u>(320)</u>	<u>806</u>

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

8 TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Deferred taxation

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Accelerated capital allowances	-	-
Fair value gains and losses on financial instruments	-	-
Other timing differences	-	-
Total provision for deferred taxation	-	-
Opening balance	-	-
Deferred tax charged in the profit and loss account	-	-
Deferred tax credited to reserves	-	-
Closing balance	-	-

The Finance Act 2013 introduced legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014. A further reduction to the main rate of corporation tax to 20% will come into effect on the 1 April 2015.

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

At the 31 July 2012 the Company derecognised its deferred tax asset having considered the impact of the increased pension deficit on the outlook of the UK tax base of Smiths Group plc. Given the size of the pension deficit as at 31 July 2014 the Company considers it is still not probable that deferred tax asset will be recovered and it has not been recognised.

At 31 July 2014 the Company has unrecognised deferred tax assets of £2,000,456 (2013: £1,865,746) relating to:

- capital allowances £1,950,562 (2013: £1,819,309); and
- other timing differences £49,894 (2013: £46,437).

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

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools, motor vehicles and other equipment £'000	Total £'000
Cost or valuation				
At 1 August 2013	4,799	3,873	5,808	14,480
Additions	95	94	121	310
Disposals	-	-	(41)	(41)
At 31 July 2014	4,894	3,967	5,888	14,749
Accumulated Depreciation				
At 1 August 2013	415	2,550	4,822	7,787
Charge for the year	233	261	335	829
Disposals	-	-	(41)	(41)
At 31 July 2014	648	2,811	5,116	8,575
Net book amount				
At 31 July 2014	4,246	1,156	772	6,174
At 31 July 2013	4,384	1,323	986	6,693

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
Cost or valuation	
At 1 August 2013	4
Foreign exchange adjustments	-
Additions	-
Disposals	-
At 31 July 2014	4
Provision for permanent diminution in value	
At 1 August 2013	-
Foreign exchange adjustments	-
Additions	-
Disposals	-
At 31 July 2014	-
Net book value	
At 31 July 2014	4
At 31 July 2013	4

5% of the total share capital of Smiths Detection Saudi Arabia LLC is held by the company. The remaining 95% of share capital is held by Smiths Detection Group Limited.
In the opinion of the directors the value of the investment is not less than the aggregate amount at which they are shown in the Company's balance sheet.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

11. STOCKS

	2014 £'000	2013 £'000
Raw materials	2,171	4,092
Work in progress	1,662	1,891
Finished goods	1,042	4,785
	<u>4,875</u>	<u>10,768</u>

12. DEBTORS

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade debtors	3,347	3,589
Amounts owed by group undertakings	1,722	4,124
Prepayments and accrued income	442	174
	<u>5,511</u>	<u>7,887</u>

Amounts owed by group undertakings includes loans owed by the ultimate parent company, Smiths Group plc, 2014: £nil (2013: £1,300k). All amounts owed by group undertakings are currently unsecured, interest free and repayable on demand.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	2,831	1,595
Amounts owed to group undertakings	12,691	19,545
Taxation and social security	260	516
Accruals and deferred income	3,669	3,542
Payments on account	1,288	1,269
	<u>20,739</u>	<u>26,467</u>

Amounts owed to group undertakings include £11,222k (2013: £18,325k) owed to the holding company, Smiths Detection Group Limited, which at balance sheet date is repayable on 31 July 2017 or on demand. Interest is charged at LIBOR plus 3.0%.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange risk

Transactional currency exposure

The Company has transactional currency exposure arising from sales or purchases in currencies other than their functional currency, predominantly US dollars. In accordance with Smiths Group policy the Company hedges net exposures to agreed sales or purchases using forward foreign exchange contracts. This policy minimises the risk that the profits generated from the transaction will be affected by foreign exchange movements which occur after the price has been determined.

Forward foreign exchange contracts are only documented and accounted for as hedges when it is considered to be cost effective given the additional administration.

Cash-flow hedging

At 31 July 2014, the Company had outstanding foreign currency contracts designated as hedging instruments in cash flow hedges of future foreign currency sales and purchases with a nominal value of £0.2m (2013: £1m). US dollar/sterling contracts accounted for £0.6m (2013: £1m) of these contracts. The fair value of the hedging instruments is disclosed in the derivative table overleaf.

The majority of hedged transactions will be recognised in the profit and loss account in the same period as the cash flows are expected to occur, with the only differences arising as a result of normal commercial credit terms on sales and purchases. Of the foreign exchange contracts designated as hedging instruments, 100% (2013: 99.9%) by value are for periods of 12 months or less.

The movements relating to cash flow hedging recognised directly in reserves during the year are summarised in the table below.

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Net cash flow hedge gains deferred in reserves at start of year	25	8
Gains/(loss) on effective cash flow hedges recognised in reserves during the year	54	(7)
(Loss)/gains removed from reserves and recognised in the profit and loss account during the year	(122)	24
Net cash flow hedge gains deferred in reserves at end of year	(43)	25

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Financial derivatives

The tables below set out the nominal amount and fair value of derivative financial instruments held by the Company:

At 31 July 2014	Contract or underlying nominal amount	Fair value		Net
	£'000	Assets £'000	Liabilities £'000	£'000
Foreign exchange contracts (cash flow hedges)	235	46	(62)	(16)
Foreign exchange contracts (not hedge accounted)	-	300	-	300
Total financial derivatives	235	346	(62)	284
Balance sheet:				
Current assets	-	346	-	346
Creditors: amounts falling due within one year	-	-	(62)	(62)
Creditors: amounts falling due after more than one year	-	-	-	-
Total financial derivatives	-	346	(62)	284

At 31 July 2013	Contract or underlying nominal amount	Fair value		Net
	£'000	Assets £'000	Liabilities £'000	£'000
Foreign exchange contracts (cash flow hedges)	(1,222)	45	(22)	23
Foreign exchange contracts (not hedge accounted)	-	-	-	-
Total financial derivatives	(1,222)	45	(22)	23
Balance sheet:				
Current assets	-	45	-	45
Creditors: amounts falling due within one year	-	-	(21)	(21)
Creditors: amounts falling due after more than one year	-	-	(1)	(1)
Total financial derivatives		45	(22)	23

Fair value of financial instruments

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

Forward foreign exchange contracts are valued using market valuations at the balance sheet date. Embedded derivatives are valued using the net present value of discounted cash flows and market prices for forward foreign exchange contracts.

All financial instruments are recognised on the balance sheet at a value which is not materially different from their fair value.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

15. PROVISIONS FOR LIABILITIES

	Warranty provision and product liability £'000	Total £'000
At 1 August 2013	398	398
Utilised during the year	(360)	(360)
Charged to profit and loss account	242	242
Released to profit and loss account	(105)	(105)
At 31 July 2014	175	175

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

16. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised		
80,000 (2013: 80,000) ordinary shares of £1 each	80	80
Allotted and fully paid		
76,771 (2013: 76,771) ordinary shares of £1 each	77	77

17. RESERVES

	Share premium account £'000	Capital reserve £'000	Hedge reserve £'000	Profit and loss account £'000	Total £'000
At 1 August 2013	630	1,267	25	1,164	3,086
Loss for the financial year	-	-	-	(6,694)	(6,694)
Other recognised gains for the year	-	-	(68)	-	(68)
Share Based Payments (note 25)	-	113	-	-	113
At 31 July 2014	630	1,380	(43)	(5,530)	(3,563)

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Opening shareholders' funds	3,163	4,366
Loss for the financial year	(6,694)	(1,295)
Other recognised gains/(losses) for the year	(68)	17
Share Based Payment (note 25)	113	75
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>(3,486)</u>	<u>3,163</u>

19. CONTINGENT LIABILITIES

- (a) Guarantees and performance bonds given by banks to third parties on behalf of the Company amounted to £70,000 (2013: £70,000).
- (b) 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.
- (c) The Company is registered with H.M. Revenue and Customs as a member of the Smiths Group plc for VAT group purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by the group for unpaid VAT.

20. OPERATING LEASE COMMITMENTS

At 31 July 2014, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
On contracts expiring:				
Within one year	5	5	159	191
After one and within five years	<u>-</u>	<u>-</u>	<u>107</u>	<u>265</u>
Total	<u>5</u>	<u>5</u>	<u>266</u>	<u>456</u>

21. CAPITAL COMMITMENTS

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Contracts placed for future capital expenditure not provided in the financial statements	<u>42</u>	<u>132</u>
Future capital expenditure authorised by directors but not contracted and not provided in the financial statements	<u>95</u>	<u>157</u>

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

22. PENSIONS

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

The assets of the Smiths Industries Pension Scheme are held in a separate trustee-administered fund and the pensions costs are assessed in accordance with the advice of independent, professionally-qualified actuaries. Further details of 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 2014.

The pension cost for the Company in respect of the defined benefit pension plans was £nil (2013: £nil). This represents contributions payable to Smiths Group plc which is responsible for making contributions to the pension funds on behalf of the Group as a whole. The Company contributions are set with respect to the current service period only, so the Company has accounted for these contributions as if the scheme was a defined contribution scheme. In 2015 the Company does not expect to make any payments in respect of the defined benefit pension plans. At the year end there were nil amounts prepaid or outstanding for defined contribution schemes.

The total expense recognised in the profit and loss account in respect of defined contribution pensions was £509k (2013: £498k).

23. SHARE BASED COMPENSATION

The Company's ultimate parent company operates share schemes and plans for the benefit of employees of the Group. The nature of the principal schemes and plans, including general conditions, is set out below:

Smiths Group Sharesave Scheme "SAYE"

The SAYE scheme is an H.M. 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 £250 in aggregate for three or five years and are granted an option over shares at a fixed option price, set at a 20% discount to market price at the date of invitation to participate. In the case of five-year savings contracts, participants can elect to delay maturity of the contract until its seventh anniversary. The number of shares comprising the option 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 Industries 1995 Executive Share Option Scheme "95 ESOS"

Options granted under the 95 ESOS can only be exercised after three years if a performance requirement, determined by the Remuneration Committee, has been met. Options are subject to a performance test based on growth in the Group's earnings per share. If the performance requirement is not satisfied at the end of the third year, the performance period may be extended for up to two further years so that performance is tested over a four-year period at the end of the fourth year and a five-year period at the end of the fifth year. The performance requirement is that the growth in the Group's normalised earnings per share over the three/four/five financial years beginning immediately prior to the option grant must exceed the increase in the UK Retail Prices Index over the same period by 3% per annum (for options up to one times base salary) and by 4% per annum (for the excess up to two times base salary). No grants under the 95 ESOS have been made since 5 October 2009.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

23. SHARE BASED COMPENSATION (CONTINUED)

Smiths Group Co-Investment Plan "CIP"

Under the CIP, as introduced in October 2005, the executive directors and senior executives are able, if invited, to use their after tax bonus or 25% of their basic salary after tax, whichever is the greater, to invest in the Company's shares at the prevailing market price. At the end of a three year period, if the executive is still in office and provided the performance test is passed, matching shares will be awarded in respect of any invested shares retained for that period. The number of matching shares to be awarded is determined by the Remuneration Committee at the end of the year in which the bonus is earned by reference to annual bonus, and other corporate financial criteria. The maximum award will not exceed the value, before tax, of the bonus or salary invested in shares by the executive. Vesting of matching shares will occur and the matching shares will be released at the end of the three year period if the Group's Return on Capital Employed "ROCE" over the Performance Period exceeds the Group's weighted average cost of capital "WACC" over the Performance Period by an average margin of at least 1% per annum.

In July 2008 the CIP was amended. From 2009 participants have been required to invest 50% of their post tax bonus in purchased shares. The performance conditions have been expanded to include an enhanced performance condition of ROCE exceeding WACC by an average margin of 3% per annum. If the enhanced performance condition is met, two matching shares will be issued for every purchased share.

The following table summarises the options over Smiths Group plc shares issued to employees working for the Company since 7 November 2002.

	SAYE	ESOS	CIP	Total	Weighted average exercise price £
<i>Ordinary shares under option</i>					
31 July 2012	184,222	45,984	19,523	249,729	7.13
Transferred out	(1,887)	-	-	(1,887)	8.03
Transferred in	2,350	-	-	2,350	8.23
Granted	24,043	-	-	24,043	10.08
Exercised	(73,345)	(33,250)	(8,297)	(114,892)	6.67
Lapsed	(11,449)	-	-	(11,449)	8.17
31 July 2013	123,934	12,734	11,226	147,894	7.89
Transferred out	-	-	(11,226)	(11,226)	-
Transferred in	2,698	-	-	2,698	8.37
Granted	79,919	-	1,317	81,236	9.74
Exercised	(17,628)	(2,734)	-	(20,362)	8.86
Lapsed	(6,716)	-	(1,317)	(8,033)	7.71
31 July 2014	182,207	10,000	-	192,207	9.04

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

23. SHARE BASED COMPENSATION (CONTINUED)

Options were exercised on an irregular basis during the year and the average closing share price of Smiths Group plc over the financial year was 1,353.95p (2013: 1,195.79p). There has been no change to the effective option price of any of the outstanding options during the year.

For the purposes of valuing options to arrive at the share-based payment charge, the Binomial option pricing model has been used for most schemes and the Monte Carlo method is used for schemes with total shareholder return performance targets. The key assumptions used in the models for 2014 and 2013 are volatility of 25% (2013: 25%) and dividend yield of 3.75% (2013: 3.75%). Assumptions on expected volatility and expected option term have been made on the basis of historical data, wherever available, for the period corresponding with the vesting period of the option. Best estimates have been used where historical data is not available in this respect. These generated a weighted average fair value for CIP of £14.04 (2013: £10.84) and SAYE of £3.11 (2013: £2.52).

Included within administrative expenses is charge arising from share-based payment transactions of £113k (2013: £75k), all of which relates to equity-settled share-based compensation.

24. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by Paragraph 3(c) of 'FRS 8: Related party disclosures' not to disclose transactions with entities that are part of Smiths Group plc.

25. POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to the Directors' report or financial statements.

26. ULTIMATE PARENT UNDERTAKING

For the year ended 31 July 2014, Smiths Detection - Watford Limited was a wholly owned subsidiary of Smiths Detection Group Limited.

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Smiths Group plc incorporated in the United Kingdom and registered in England and Wales.

The Annual Report and financial statements of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, Cardinal Place, 80 Victoria Street, London, SW1E 5JL.