Registered number: 00192121

JOHN CRANE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023

COMPANY INFORMATION

Directors	J G Long (resigned 16 September 2022) A D Powell C Boland R J Sharman (appointed 19 September 2022)
Registered number	00192121
Registered office	Buckingham House 361-366 Buckingham Avenue Slough Berkshire SL1 4LU
Independent auditor	KPMG LLP 2 Forbury Place 33 Forbury Road Reading RG1 3AD

JOHN CRANE UK LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2023

Introduction

The Directors present their Strategic Report on John Crane UK Limited ("the Company") for the year ended 31 July 2023.

Business review and principal activities

The Company's principal activity in the year is that of the manufacture, assembly and sale of mechanical seals and the engineering and sale of sealing solutions and associated equipment.

The results show a loss before taxation of £3,393k (2022: £5,393k profit) for the year on turnover of £62,806k (2022: £62,438k). The turn to loss making in FY23 was mainly due to the high inflationary environment in UK which led to the worsening of profit margin and to higher administrative and distribution costs. The increase in turnover is due to better and more stable trading conditions after the geopolitical shocks which occurred in FY22. The Company has not paid any dividends during the year (2022: £nil). The Company has not received any dividends during the year (2022: £nil).

The Company reported a net assets of £62,363k (2022: £66,902k), the main reason for this reduction is due to the reduced balance of Debtors, specifically of the loan receivable from John Crane Group Limited of £14,116k (2022: £32,216k) and the reduction of Trade Debtors £4,242 (2022: £4,765) due to better cash collection. The increased balance of Amounts owed by group undertakings £51,690 (2022: £39,800k) is due to higher intercompany activity towards the end of FY23, however this increase is not fully offsetting the movement on loan receivable mentioned above. Contract assets were £5,340k (2022: £4,766k), the increase is due mainly to revaluations for price effect during FY23.

Fixed assets on the other hand have not materially moved during the course of FY23 £31,305k (2022: £31,245k).

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 Company sells to many parts of the world and is therefore affected by changes in economic and political conditions in these countries, such as availability of foreign currency, exchange rates, interest rates and inflation. The diverse nature of our products and markets helps mitigate these issues. Forward exchange contracts, designated as cash flow hedges, are used to mitigate the foreign exchange risk on purchases and sales.

Many of the raw materials and products purchased are subject to volatility of price and supply. The range of suppliers and products helps to reduce the risks from the supply chain. In addition, commodity prices, especially oil prices, affect global capital investment programmes and therefore we can experience fluctuations in demand from our customers. The volatility of these fluctuations is limited by the geographical, industry and product spread of our portfolio.

The impact of the war in Ukraine on the business is considered to be limited. However, management continues to monitor the political outcome and actions are taken where possible to mitigate any potential risks.

Management is of the view that any potential operating cash needs can be supported by the £14,116k loan receivable due on demand from the parent company, John Crane Group Limited. Management continues to monitor the impact of the political crisis with Russia and take actions where possible to mitigate further potential risks.

Other risks include the global and economic conditions, the effect of legislation or other regulatory action and the ongoing volatility of commodity and energy prices.

Key performance indicators

The Directors of Smiths Group plc ("the Group"), 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 John Crane UK Limited. The development, performance and position of the John Crane division of Smiths Group plc, which includes the Company, is discussed in the Overview 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 (Company Act 2006, Section 172)

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 account the (i) likely consequences of any decision in the long term; (ii) the interests of the Company's employees; (iii) the need to foster the Company's relationship with suppliers, customers and others; (iv) the impact of the Company's operations on the community and the environment; and (v) the desirability of the Company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be our shareholders, suppliers, local communities and governments, lenders and the environment and also took account of 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 operate the business in a sustainable way.

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

This report was approved by the board on 29 January 2024 and signed on its behalf.

A D Powell
Director

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Results and dividends

The loss for the year, after taxation, amounted to £6,316k *(2022 - profit £3,942k)*.

No dividend was paid in the year and the Directors do not recommend the payment of a dividend (2022: £nil).

Directors

The Directors who served during the year were:

J G Long (resigned 16 September 2022)
A D Powell
R J Sharman (appointed 19 September 2022)
C Boland

Future developments

The Directors are satisfied with the position of the Company as at 31 July 2023 and with its future prospects. The order intake at date of signing these financial statements is very strong, the Directors expect to achieve a similar trading performance in FY24.

Financial risk management policies

The Company complies with the Smiths Group plc financial risk management policies. These policies are explained in the Treasury section of the Overview and the financial instruments note (19) included in the Group's Annual report which does not form part of this report.

Operational credit risk:
The Company has implemented policies that require appropriate credit checks on potential customers before credit terms are offered. Customer credit limits are set based on credit ratings, past experience and other factors and subject to regular review. Concentrations of credit risk with respect to trade receivables are limited due to the diverse customer base.

Foreign exchange risks:
The Company makes a proportion of its sales and purchases in foreign currencies, principally US Dollar, Euro and Czech Koruna. The resulting foreign exchange risks are managed through hedging using financial instruments.

Financing:
Financing is managed on a Group basis. See the financial instruments note (19) in the Annual Report and financial statements of Smiths Group plc for details of how the Group manages interest rate risks (19)(B), financial credit risks (19) (C) and liquidity risks (19)(D).

Company's policy for payment of creditors

The Company's policy and practice is to pay creditors promptly in accordance with agreed terms of business. The average time the Company took to pay an invoice was 42 days (2022: 44 days).

Research and development activities

The Company continues to fund its research and development activities necessary to support the ongoing needs of the business. R&D spend during the year was £8,383k (2022: £10,475k). The Company has increasingly reinforced its links with leading universities and external research facilities and continues to apply resources to developing new products and processes.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts in order to assess going concern which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its parent, John Crane Group Limited, to meet its liabilities as they fall due during the going concern assessment period.

Those forecasts are dependent on group companies not seeking repayment of the amounts currently due to the group, which at 31 July 2023 amounted to £26,488k, and John Crane Group Limited providing additional financial support during the going concern assessment period through the loan debtor due to the Company (£14,116k at 31 July 2023). John Crane Group Limited does not have sufficient funds to settle this debtor if called upon and would rely on its own intercompany loan with the Group to fund repayment. The ultimate control of funds through the group to the Company therefore lies with the Group.
The Group has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Employee involvement

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.

Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved. Methods of communication include regular senior management briefings, Intranet, email communications and announcements. Additionally, employee councils, information and consultation forums, and other consultative bodies allow the views of employees to be taken into account.
Employees are entitled to join the Smiths Group Share Save Scheme, as detailed in note 23.

It is our policy to provide equal employment opportunities. The Company recruits, selects and promotes employees on the basis of their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable anti-discrimination requirements in the relevant jurisdictions. People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion on the basis of their aptitudes and abilities. We endeavour to find appropriate alternative jobs for those who are unable to continue in their existing job because of disability.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

This report was approved by the board on 29 January 2024 and signed on its behalf.

A D Powell
Director

Buckingham House
361-366 Buckingham Avenue
Slough
Berkshire
SL1 4LU

Opinion

We have audited the financial statements of John Crane UK Limited ("the Company") for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of Directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Using analytical procedures to identify any unusual or unexpected relationships.

- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because key performance indicators upon which remuneration for managers and above are determined are based on divisional performance, not at the standalone Company level. As the majority of revenues generated by the Company are through sales to other Smiths Group entities, the opportunity to manipulate external revenues such that it impacts on Divisional key performance indicators is remote.

We did not identify any additional fraud risks.

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

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

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

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

The potential effect of these laws and regulations on the financial statements varies considerably.
The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon .

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

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

M. Gillett

Matthew Gillett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD
31 January 2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2023

	Note	2023 £000	*2022 £000*
Turnover	3	**62,806**	*62,438*
Cost of sales		**(44,795)**	*(40,024)*
Gross profit		**18,011**	*22,414*
Distribution costs		**(8,571)**	*(7,573)*
Administrative expenses		**(26,185)**	*(23,304)*
Other operating income	4	**13,137**	*14,115*
Operating (loss)/profit	5	**(3,608)**	*5,652*
Income from shares in group undertakings		**-**	*132*
Amounts written off investments		**-**	*(7)*
Interest receivable and similar income	9	**631**	*20*
Interest Payable And Similar Expenses	10	**(532)**	*(471)*
Other finance income		**116**	*67*
(Loss)/profit before tax		**(3,393)**	*5,393*
Tax on (loss)/profit	11	**(2,923)**	*(1,451)*
(Loss)/profit for the financial year		**(6,316)**	*3,942*
Reclassification of cash flow hedges to the profit and loss		**596**	*(117)*
Net fair value gain/loss on cash flow hedges		**(149)**	*(430)*
		447	*(547)*
Total comprehensive (loss)/income for the year		**(5,869)**	*3,395*

The notes on pages 16 to 44 form part of these financial statements.

JOHN CRANE UK LIMITED
REGISTERED NUMBER:00192121

BALANCE SHEET
AS AT 31 JULY 2023

	Note		2023 £000		2022 £000
Fixed assets					
Goodwill	13		**2,275**		*2,275*
Other intangible assets	12		**3,701**		*2,168*
Tangible assets	14		**25,303**		*26,776*
Investments in associates	15		**26**		*26*
			31,305		*31,245*
Current assets					
Stocks	16	**6,067**		*6,027*	
DEBTORS: amount falling due within one year (including £5,340k (2022 : £4,766k) due after more than one year)	17	**77,196**		*83,260*	
Cash at bank and in hand	18	**575**		*814*	
		83,838		*90,101*	
CREDITORS: amounts falling due within one year	19	**(37,617)**		*(38,046)*	
Net current assets			**46,221**		*52,055*
Total assets less current liabilities			**77,526**		*83,300*
CREDITORS: amounts falling due after more than one year	20		**(15,163)**		*(16,398)*
			62,363		*66,902*
Net assets			**62,363**		*66,902*
Capital and reserves					
Called up share capital	22		**480**		*480*
Hedge Reserve	24		**242**		*(205)*
Other reserves	24		**11,472**		*10,142*
Profit and loss account	24		**50,169**		*56,485*
Shareholders' funds			**62,363**		*66,902*

**BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2023**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 January 2024.

A D Powell
Director

The notes on pages 16 to 44 form part of these financial statements.

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

	Called up share capital	Hedge Reserve	Oher reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 August 2022	480	(205)	10,142	56,485	66,902
Comprehensive income for the year					
Loss for the financial year	-	-	-	(6,316)	(6,316)
Reclassification of cash flow hedges to the profit and loss	-	596	-	-	596
Net fair value gain/loss on cash flow hedges	-	(149)	-	-	(149)
Total comprehensive income for the year	-	447	-	(6,316)	(5,869)
Capital contribution	-	-	1,330	-	1,330
Total transactions with owners	-	-	1,330	-	1,330
At 31 July 2023	480	242	11,472	50,169	62,363

The notes on pages 16 to 44 form part of these financial statements.

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

	Called up share capital	Hedge Reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 August 2021	480	342	9,275	52,543	62,640
Comprehensive income for the year					
Profit for the financial year	-	-	-	3,942	3,942
Reclassification of cash flow hedges to the profit and loss	-	(117)	-	-	(117)
Net fair value losses on cash flow hedges	-	(430)	-	-	(430)
Total comprehensive income for the year	-	(547)	-	3,942	3,395
Capital contribution	-	-	867	-	867
At 31 July 2022	480	(205)	10,142	56,485	66,902

The notes on pages 16 to 44 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The following accounting policies have been applied consistently to all periods presented in these 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' .

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemptions has been taken, except where departure has been disclosed in Note 13.

Basis of preparation
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts in order to assess going concern which indicate that taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its parent, John Crane Group Limited to meet its liabilities as they fall due during the going concern assessment period.

Those forecasts are dependent on group companies not seeking repayment of the amounts currently due to the group, which at 31 July 2023 amounted to £26,488k, and John Crane Group Limited providing additional financial support during the going concern assessment period through the loan debtor due to the Company (£14,116k at 31 July 2023). John Crane Group Limited does not have sufficient funds to settle this debtor if called upon and would rely on its own intercompany loan with the Group to fund repayment. The ultimate control of funds through the group to the Company therefore lies with the Group.
The Group has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Considering the above, it is considered appropriate to prepare these financial statements on a going concern basis.

Consolidated financial statements
As the Company is a wholly owned subsidiary of Smiths Group plc which prepares publicly available consolidated group financial statements, the Company has not prepared consolidated financial statements as permitted by section 400 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking, and not about its group.

1. Accounting policies (continued)

1.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

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

1.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

1. Accounting policies (continued)

1.4 Revenue

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

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

1. Accounting policies (continued)

1.5 Other operating income - Royalties

Licensed Product royalties

The Licensed Product Royalty process ensures that John Crane UK charges royalties on products utilising IP identified in the license agreements in place with John Crane UK, the royalty rate is 5.5% of the net sales value.

The John Crane UK Finance Team will raise monthly invoices for the royalty charge. The invoices are raised one month in arrears of the associated IP sales and are calculated based on the sales numbers reported by the entity in the previous month, all invoices are payable on normal intercompany terms.

Aftermarket Services royalties

The Aftermarket Services Royalty process ensures that John Crane UK charges royalties on aftermarket services revenue as identified in the license agreements in place with John Crane UK.

Royalties are charged on revenue from repair and service work on certain product lines that benefit from the John Crane brand and business model, the royalty rate is 3% of the sales value.The invoicing process is similar to the one described above for Licensed Product royalties.

1.6 Leases

The Company leases various assets, comprising land, buildings and vehicles.

The determination whether an arrangement is, or contains, a lease is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At the inception of the lease, the Company recognises a right-of-use asset and a lease liability. A lease liability is recognised in the balance sheet at the present value of minimum lease payments determined at the inception of the lease. A right-of-use asset of equivalent value is also recognised. Right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life or the lease term.

Right-of-use assets are measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date, less any lease incentives received at or before the adoption date. Right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be fully recoverable.

Lease liabilities are measured at amortised cost using the effective interest rate method. Lease payments are apportioned between a finance charge and a reduction of the lease liability based on the constant interest rate applied to the remaining balance of the liability. Interest expense is included within the "Interest expense and similar charges" line item in the Statement of Comprehensive Income.

The lease payments comprise fixed payments, and include any penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option. Lease liability is adjusted for any prepayment.

1. Accounting policies (continued)

The lease term determined comprises the non-cancellable period of the lease contract. Periods covered by an option to extend the lease are included if the Company has reasonable certainty that the option will be exercised and periods covered by the option to terminate are included if it is reasonably certain that this will not be exercised.

The lease liability is subsequently remeasured (with a corresponding adjustment to the related right-of-use-asset) when there is a change in future lease payments due to a renegotiation or market rent review, a change of an index or rate or a reassessment of the lease term.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

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

1.8 Interest income

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

1.9 Finance costs

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

1.10 Pensions

The Company's principal arrangements are provided through the independent Smiths Industries Pension Scheme (SIPS), and TI Group Pension Scheme (TIGPS), defined benefit pension plans. The Company accounts for both schemes as if they were defined contribution schemes in accordance with 'IAS 19: Employee benefits' rules for defined benefit schemes that share risks between entities under common control.

1. Accounting policies (continued)

1.11 Share-based payments

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

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

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

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

1.12 Current and deferred 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.

1. Accounting policies (continued)

1.13 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

1.14 Other intangible assets

Other intangible assets comprise of definite life computer software where amortisation is charged using the straight-line method at a typical rate of 25%. Amortisation is charged to administration costs.

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.

1.15 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 – up to 25 years,
- Short leasehold property and leasehold improvements – up to the period of the lease,
- Plant, machinery, computer software etc. – 10% to 25%,
- Tools 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 borrowing costs are capitalised as part of tangible fixed assets.

1. Accounting policies (continued)

1.16 Development Costs

Research and development expenditure is charged to the Statement of Comprehensive Income in the year in which it is incurred.

1.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.18 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

1.19 Stocks

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

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

1.20 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. For the accounting treatment of PP receivable refer to the critical accounting policies in paragraph 1.25.

1.21 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.

1.22 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.

1.23 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.

1. Accounting policies (continued)

1.23 Financial instruments (continued)

Financial assets

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

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss
The Company comprises of both OTM and ITM derivatives. They are carried in the Balance Sheet at fair value recognised in the Income Statement.

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

1.24 Hedge accounting

The Company uses foreign currency forward contracts to manage its exposure to cash flow risk on its foreign currency trading payments and receipts. These derivatives are designated as hedging instruments and are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in the fair value of hedging instruments are recognised in other comprehensive income and presented in a separate cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portions of those movements are recognised immediately in profit or loss for the year.

Gains and losses recognised in the hedging reserve in shareholders' equity on forward foreign exchange contracts designated as cash flow hedges will be released to the statement of comprehensive income within one year from the balance sheet date.

1.25 Critical accounting policies

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

Accounting estimates

Inventory provision

1. Accounting policies (continued)

Stock that is expected to be obsolete or held in excess of demand is provided for based on historical usage levels. In addition, provisions are made against stock that is expected to be sold at below cost based on the likely future order price.

Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' utilization. While it is believed that the Company's judgments and estimates are reasonable and appropriate, the amount and timing of recorded provision for inventory obsolescence and carrying value of inventories for any period could be materially affected by judgments or estimates made.

The current level of inventory provision is £1,189k (2022: £1,541k).

Performance Plus contracts
The Company holds a number of Performance Plus service contracts that require the customer to buyback the stock held for the customer on expiry. Since the control over the stock has been transferred to the customer, the stock is derecognised and a debtor balance recognised for the expected settlement amount. This debtor is revalued each period based on the latest stock level and price. The total value of such debtors at the balance sheet date was £5,340k (2022: £4,766k).

Accounting judgements

Impairment of tangible and intangible assets including goodwill
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss would be recognised whenever evidence exists that the carrying value is not recoverable.

As at 31 July 2023 no provision for impairment has been recognised in the absence of any indicator of impairment.

2. General information

John Crane UK Limited is a private company limited by shares,incorporated, domiciled and registered in the UK. The registered number is 00192121 and the registered address and principal place of business is:

361-366 Buckingham Avenue
Slough
Berkshire
SL1 4LU

3. Turnover

An analysis of turnover by geographical area has not been provided because, in the opinion of the Directors, such an analysis would be seriously prejudicial to the interests of the business.

4. Other operating income

	2023 £000	2022 £000
Royalty receivable from provision of service	3,930	6,426
Royalty receivable from sales of goods	9,207	7,689
	13,137	14,115

5. Operating (loss)/profit

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

	2023 £000	2022 £000
Research & development charged as an expense	8,383	10,475
Impairment losses recognised in the year on receivables	1,376	(231)
Depreciation of tangible fixed assets	2,801	2,695
Gain or loss from the disposal of tangible assets	(28)	(1,792)
Inventory recognised as an expense in the year	31,659	31,540
Amortisation of intangible assets	178	253
Impairment of inventory	(351)	(105)
Exchange differences	922	(612)
Share-based payments	1,330	867
Defined contribution pension cost	3,609	3,497

6. Auditors' remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditors and their associates in respect of:		
Audit of the Company	351	320

7. Employees

	2023 £000	*2022 £000*
Staff costs were as follows:		
Wages and salaries	**22,782**	*22,076*
Social security costs	**2,851**	*2,623*
Other pension costs	**3,609**	*3,497*
Share based compensation	**1,330**	*867*
	30,572	*29,063*

	2023 No.	*2022 No.*
Production	**121**	*135*
Sales	**88**	*86*
Administration	**208**	*196*
	417	*417*

8. Directors' remuneration

	2023 £000	*2022 £000*
Directors' emoluments	**882**	*1,006*
Directors' share awards	**99**	*200*
Company contributions to defined contribution pension schemes	**52**	*54*
	1,033	*1,260*

8. Directors' remuneration (continued)

	2023 £000	2022 £000
The highest paid director emoluments were as follows:		
Total amount of emoluments and amounts (excl. shares) receivable under long term incentive schemes	**400**	*449*
Directors' share awards	**66**	*108*
Company contributions to defined contribution pension schemes	**24**	*30*
	490	*587*

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 no Directors (2022: none) under the Smiths Industries defined benefit scheme and no Directors (2022: none) under the TI Group defined benefit pension scheme. During the financial year one Director (2022: none) exercised options over shares of Smiths Group plc.

The directors' remunerations amounts above relate to emoluments received by 4 directors (2022: 3). The directors' remuneration notes above relates to A D Powell, R J Sharman, J G Long and C Boland in 2023.

The long term incentive plans are share-based payments and are paid by Smiths Group plc and are disclosed within the financial statements of Smiths Group plc.

9. Interest receivable and similar income

	2023 £000	2022 £000
Interest receivable from group companies	**631**	*20*
	631	*20*

10. Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest payable	**68**	*39*
Other interest payable	**106**	*54*
Finance leases and hire purchase contracts	**358**	*378*
	532	*471*

11. Tax on (loss) / profit

	2023 £000	2022 £000
Corporation tax		
Prior Year R&D Tax credit adjustment	540	(600)
Foreign tax		
Foreign tax on income for the year	2,383	2,051
	2,383	2,051
Total current tax	2,923	1,451
Deferred tax		
Total deferred tax	-	-
Taxation on loss/profit on ordinary activities	2,923	1,451

11. Tax on (loss) / profit (continued)

Factors affecting tax charge for the year

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

	2023 £000	*2022 £000*
(Loss)/profit on ordinary activities before tax	**(3,393)**	*5,393*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2022 - 19%)	**(712)**	*1,025*
Effects of:		
Adjustment in research and development tax credit leading to a decrease in the tax charge	**540**	*(600)*
Double taxation relief	**(2,383)**	*(2,052)*
Withholding tax suffered	**2,383**	*2,052*
Group relief surrendered for £nil receipt	**3,095**	*1,026*
Total tax charge for the year	**2,923**	*1,451*

At 31 July 2023 the Company had unrecognised deferred tax assets of £9,197k (2022: £7,161k) with gross value of £36,790k (2022: £28,645k) relating to timing differences on fixed assets, pension contribution and SBP, calculated at 25% (2022: 25%). The value of these assets is reviewed regularly and is dependent on the ability to recover them against forecast UK taxable profits. Based on this review it is currently determined that these assets are not likely recoverable.

Smiths Group does not require UK Companies to compensate the surrendering company for the receipt of group relief. As a result, no payments or receipts in respect of group relief have been accrued in the current or prior year, and no payments or receipts will be recognised in future years if other group companies have losses available to surrender.

An increase in the UK corporation rate from 19% to 25% was in effect from 1 April 2023. This increased the Company's current tax charge accordingly.

12. Intangible assets

	Total £000
Cost	
At 1 August 2022	**18,972**
Additions - external	**1,711**
At 31 July 2023	**20,683**
Amortisation	
At 1 August 2022	**16,804**
Charge for the year on owned assets	**178**
At 31 July 2023	**16,982**
Net book value	
At 31 July 2023	**3,701**
At 31 July 2022	*2,168*

Intangible assets represent computer software, of which £2,746,k (2022: £1,823k) is under construction.

13. Goodwill

	2023 £000
Cost	
At 1 August 2022	**9,280**
At 31 July 2023	**9,280**
Amortisation	
At 1 August 2022	**7,005**
At 31 July 2023	**7,005**
Net book value	
At 31 July 2023	**2,275**
At 31 July 2022	*2,275*

13. Goodwill (continued)

The Company's goodwill comprises of the purchased goodwill arising from the acquisition of the trade and assets of UK Sealol Division of EG & G UK Limited on April 1998 and the trade and assets of Flexibox Limited in January 2000. Goodwill arising from acquisition of subsidiaries before 1 August 1998 was set against reserves in the year of acquisition. The Company accounts for goodwill in accordance with the requirements of IFRS as applied under FRS 101.

As a result, IFRS 3 is applied and goodwill is not amortised. Instead an annual impairment test is performed and any required impairment is recognised in the Statement of Comprehensive Income. The non-amortisation of goodwill is a departure from the Company Law requirement that acquired goodwill should be written off over its useful economic life. The Company has adopted this accounting policy for the overriding purpose of giving a true and fair view by preparing its accounts in accordance with applicable accounting standards, following the process required by Companies Act 2006 in this situation.

The accumulated amortisation of goodwill was charged before the transition date to FRS 101 of 1 August 2014 when the accounts were prepared under different accounitng standards.
It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, under the previously applied accounting standards, goodwill would have been fully amortised as at reporting date. The effect of amortising would be a charge of £2,275k against operating profit, and a corresponding reduction in the carrying value of goodwill on the balance sheet to nil.

Goodwill is monitored at the John Crane UK Limited level by the Company for internal reporting purposes and therefore John Crane UK Limited is treated as one cash generating unit. The recoverable amount of the cash generating unit is assessed annually using a value in use model. Value in use is calculated as the net present value of the projected risk-adjusted post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. The key assumptions included in the model is the 5 years of specific cash flows, the terminal growth rate of 1.3% (2022:1.9%) and the discount rate of 9.7% (2022: 9.1%). The valuation indicates there is sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

14. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation						
At 1 August 2022	2,348	21,586	16,539	636	5,639	46,748
Additions	-	167	583	-	447	1,197
Disposals	-	-	(293)	131	-	(162)
At 31 July 2023	2,348	21,753	16,829	767	6,086	47,783
Depreciation						
At 1 August 2022	1,450	3,656	10,148	368	4,350	19,972
Charge for the year on owned assets	90	1,531	549	119	512	2,801
Disposals	-	-	(293)	-	-	(293)
At 31 July 2023	1,540	5,187	10,404	487	4,862	22,480
Net book value						
At 31 July 2023	808	16,566	6,425	280	1,224	25,303
At 31 July 2022	*898*	*17,930*	*6,391*	*268*	*1,289*	*26,776*

The net book value of land and buildings may be further analysed as follows:

	2023 £000	*2022 £000*
Freehold	808	*898*
Long leasehold	16,566	*17,930*
	17,374	*18,828*

14. Tangible fixed assets (continued)

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

	2023	*2022*
	£000	*£000*
Tangible fixed assets owned	**9,198**	*9,321*
Right-of-use tangible fixed assets	**16,105**	*17,455*
	25,303	*26,776*

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

Netbook Value

	2023	*2022*
	£000	*£000*
Long-term lease hold property	**15,825**	*17,187*
Motor vehicles	**280**	*268*
	16,105	*17,455*

. **Depreciation charge for the year ended**

	2023	*2022*
	£000	*£000*
Long-term lease hold property	**(1,362)**	*(1,394)*
Motor vehicles	**(119)**	*(115)*
	(1,481)	*(1,509)*

15. Investments

	Investments in associates £000
Cost or valuation	
At 1 August 2022	**26**
At 31 July 2023	**26**
Net book value	
At 31 July 2023	**26**
At 31 July 2022	*26*

Cost at 1 August 2022 and at 31 July 2023 is stated net of an impairment provision of £7,000, charged in the year ended 31 July 2022 against John Crane Iskra, as described further below.

The Company has the following investments as at the year end.

Company name	Class of shares	Holding (%)
TI Group Automotive Systems Argentina (1)	Ordinary	5
John Crane Iskra (2)	Ordinary	50 (no controlling interest)

Ref	Registered Office
(1)	Centro Industrial Garin, Panamericana km 37.5m, Calle Mozart Lote 40 IB1619EAL - Garin, Provincia de Buenos Aires, Argentina
(2)	Akademika Vedeneeva str., 28, 614038 Perm, Russia

The investment in John Crane Iskra was fully impaired in FY22, this is due to the stringent international sanctions with Russia which were implemented in the second half of FY22 and the consequent inability to carry out any normal business transaction with JC Iskra.

16. Stocks

	2023 £000	*2022 £000*
Raw materials and consumables	**83**	*70*
Work in progress (goods to be sold)	**1,934**	*2,067*
Finished goods and goods for resale	**4,050**	*3,890*
	6,067	*6,027*

Stocks are stated after provision for impairments of £1,189k (2022: £1,541k).

17. Debtors

	2023 £000	2022 £000
Due after more than one year		
Contract assets	**5,340**	*4,766*
	5,340	*4,766*
Due within one year		
Trade debtors	**4,242**	*4,765*
Loan receivable due from parent company	**14,116**	*32,216*
Amounts owed by group undertakings	**51,690**	*39,800*
Other debtors	**-**	*19*
Prepayments	**293**	*(25)*
Corporation tax repayable	**520**	*1,061*
Other financial instruments (see note 21)	**995**	*658*
	77,196	*83,260*

Trade receivables are stated after provisions for impairment of £2,526k (2022: £753k).

The interest due on the amounts owed by the parent undertaking is equal to the SONIA rate (Sterling Overnight Interbank Average). The outstanding principal of the loan and all accrued interest amounting to £14,116k shall be repaid on 31 July 2024 or upon demand in writing by the lender.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

18. Cash at bank and in hand

	2023 £000	2022 £000
Cash at bank and in hand	**575**	*814*
	575	*814*

19. Creditors: Amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	3,879	2,842
Amounts owed to group undertakings	26,488	28,843
PAYE/NI control	-	1,051
Lease liabilities	1,356	1,093
Other creditors	3,036	-
Accruals	2,382	3,255
Other financial instruments (see note 21)	476	962
	37,617	38,046

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	2023 £000	2022 £000
Lease liabilities	15,163	16,398
	15,163	16,398

21. Financial instruments

	2023 £000	2022 £000
Financial assets		
Derivative financial instruments designated as cash flow hedges	995	658
Loans and receivables	75,908	82,628
	76,903	83,286
Financial liabilities		
Derivative financial instruments designated as cash flow hedges	(476)	(962)
Financial liabilities held at amortised cost	(52,304)	(53,482)
	(52,780)	(54,444)

Derivative financial instruments comprise of foreign currency contracts designated as cash flow hedges against foreign currency movements in sales and purchases.

Gains and losses recognised in the hedging reserve in shareholders' equity on forward foreign exchange contracts designated as cash flow hedges will be released to the statement of comprehensive income within one year from the balance sheet date. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 July 2023 were £50,195k (2022: £41,249k). In the year £596k (2022: £117k) was reclassified from the hedge reserve to the profit and loss as a result of maturing cash flow hedges. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

22. Called up share capital

	2023 £000	2022 £000
Authorised		
2,280,000 *(2022 - 2,280,000)* Ordinary Shares of £1 Each -	**2,280**	*2,280*
Allotted, called up and fully paid		
280,000 *(2022 - 280,000)* Ordinary Shares of £1 Each -	**280**	*280*
Allotted, called up and partly paid		
2,000,000 *(2022 - 2,000,000)* Ordinary Shares of £0.1 Each -	**200**	*200*

As 31 July 2023 the Company's issued share capital is made by ordinary shares. None of the ordinary shares carry any special rights with regard to control of the Company or distributions made by the Company. There are no known agreements relating to, or restriction on, voting rights attached to the ordinary shares. There are no restrictions on the transfer of shares, and there is no requirement to obtain approval for a share transfer. There are no known arrangements under which financial rights are held by a person other than the holder of the ordinary shares. There are no known limitations on the holding of the shares.

23. 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 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 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: 1.7 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 1.1 years (2022: 1.4 years).

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

Cost of share-based payment arrangements

Included within staff costs is an expense arising from share-based payment transactions of £1,330,000 (2022: £867,000).

24. Reserves

Hedge Reserve

This reserve deals with the gains and losses of the effective hedging arrangements on forward currency contracts, these are used by JCUK to mitigate the exposure to currency fluctuations of CZK, USD and EUR.

Other reserves

This reserve deals with the SBP and the balance carried forward of prior periods internal restructuring transactions like the Flexibox Ltd dissolution.

Profit and loss account

This reserve contains the balance of retained earnings to carry forward.

25. Pension commitments

Staff of the Company participated in the Smiths Industries Pension Scheme (SIPS) and the TI Group Pension Scheme (TIGPS), 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 the SIPS 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 to future accrual with effect from 31 October 2009.

The assets of these schemes 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.

The pension cost for the Company in respect of the defined benefit pension plans was £0k (2022: £0k). 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.

For the SIPS the Company contributions are set with respect to the current service period only, so the Company will account for any contributions as if the scheme was a defined contribution scheme.

For the TIGPS, the Company made no contribution for the year as part of the funding plans which Smiths Group has agreed with the trustees. The Company is accounting for this scheme as if the scheme was a defined contribution scheme, because the Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Given the complex history of mergers, acquisitions and disposals which have affected TIGPS, it is not possible to allocate the scheme members to the participating employers. Smiths Group plc is the sponsoring employer for this scheme. The net defined benefit obligation is recorded in the individual company accounts of Smiths Group plc. Further information on the assumptions and other details of the defined benefit schemes can be found in the Smiths Group annual report, which includes the individual accounts for the Smiths Group plc. The triennial valuation of the scheme was performed using the Projected Unit Method in 2020.

The Company also provides a defined contribution pension plan for its employees. The cost of the contributions for this plan were £3,609k (2022: £3,497k). The outstanding contributions at the balance sheet date for this plan were £0k (2022: £0k).

26. Lease liabilities

	£'000
At 1 August 2022	17,491
Lease modifications	137
Lease payments	(1,467)
Interest expense	358
At 31 July 2023	**16,519**
At 31 July 2023	**£'000**
Current	1,356
Non-current	15,163
	16,519

In calculating the lease liability to be recognised on adoption of IFRS 16, the Company used Smiths Group

Plc's discount rates ranging from 2.5% to 3.5% depending on the specific asset value and the length of lease.

27. Other financial commitments

Contracts placed for future capital expenditure not provided in the financial statements £5,868k (2022: £5,453k), these should be settled within the next three financial years from date of this financial statements.

Future capital expenditure authorised by Directors but not contracted and not provided in the financial statements £773k (2022: £2,680k).

In addition to this, the Company has £100k (2022: £100k) of bank guarantee facilities provided to it.

28. Controlling party

For the year ended 31 July 2023, 51% of the Company's shares were owned by John Crane Group Limited and 49% of the Company's shares were owned by John Crane Investments Limited, which is 100% owned by John Crane 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 prepare consolidated financial statements. Smiths Group plc is incorporated in the United Kingdom and registered in England and Wales.

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

29. Related party transactions

The Company has taken advantage of the exemption under FRS 101 to not disclose transactions with key management personnel or companies which are wholly owned within the Group.

No related party transactions occurred with non-wholly owned companies during the year.