

Directors' remuneration report

Introduction

The Directors' remuneration report is presented to shareholders by the Board. The report complies with the Directors' Remuneration Report Regulations 2002 (the Regulations). A resolution will be put to shareholders at the Annual General Meeting on 20 November 2007 inviting them to approve this report.

The Remuneration Committee

Mr Brydon and Mr Challen were members of the Committee throughout the financial year. As previously mentioned, Mr O'Leary died on 14 August 2006. Sir Julian Horn-Smith was Chairman of the Committee up to his retirement from the Board on 21 November 2006. Mr Chambers became Chairman of the Committee on 12 December 2006. Sir Nigel Broomfield's appointment ceased when he retired as a director on 31 March 2007. Mr Loescher joined the Committee on 1 June 2007.

Mr Brydon is absent when his own remuneration as Chairman of the Company is under consideration. The Chief Executive attends meetings of the Committee by invitation; he is absent when his own remuneration is under consideration.

The Committee operates within agreed terms of reference and has responsibility for making recommendations to the Board on the Group's general policy relating to executive remuneration. It also determines, on behalf of the Board, specific remuneration packages for the executive directors (including their annual bonus targets and grants of share awards) and for the Chairman. The Committee's terms of reference are available for inspection on the Company's website.

The Company complied with the provisions of the Combined Code on Corporate Governance (July 2003 issue) relating to directors' remuneration throughout the financial year (save that, as explained on page 28, the Chairman is a member of the Committee). Although the June 2006 issue of the Combined Code did not apply to the Company until 1 August 2007, the Company was fully compliant with the provisions of the 2006 issue throughout 2006/07.

The Committee meets regularly and takes advice from both inside and outside the Group on a range of matters, including the scale and composition of the total remuneration package payable to people with similar responsibilities, skills and experience in comparable industrial companies which are UK-based but which, like Smiths, have extensive operations outside the UK.

During the year, the Committee received material assistance and advice from the Chief Executive and from the General Counsel (who is also Secretary to the Committee). In addition, the Committee received material assistance and advice from:

- Towers Perrin, remuneration consultants; and
- Freshfields Bruckhaus Deringer, solicitors.

Towers Perrin, who also provided remuneration and pensions advice to the Company during the year, were appointed by the Committee. Freshfields Bruckhaus Deringer, who were appointed by the Company, also advised the Group on various discrete legal matters during the year.

The remuneration of directors is set out in tables on pages 36 and 37.

Remuneration policy

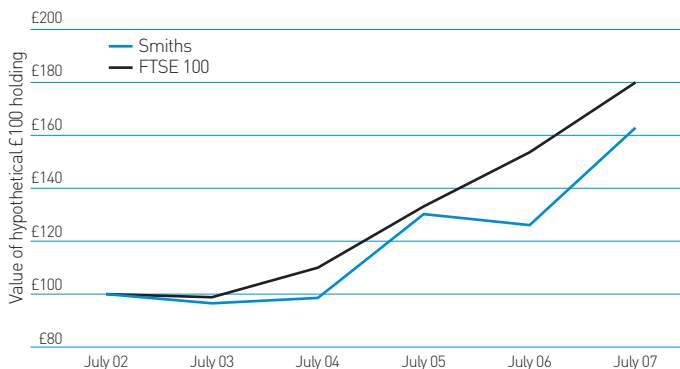
The Committee believes that the individual contributions made by the executive directors are fundamental to the successful performance of the Company.

The Committee has adopted a remuneration policy (which will continue to apply during 2007/08) with the following objectives:

- (a) performance-related remuneration should seek to align the interests of executive directors with those of shareholders;
- (b) a significant proportion of remuneration should be based on operational and financial performance both in the short and long term, as well as the individual contributions made by the executive directors; and
- (c) the remuneration packages for executive directors should be competitive in terms of market practice in order to attract and retain executive directors of the highest calibre.

The following graph shows the Company's total shareholder return (TSR) performance over the past five years. As required by the Regulations, the Company's TSR is compared with a broad equity market index. The index chosen here is the FTSE 100 Index which provides an effective indication of the TSR performance of other leading UK-listed companies. The Company has been a constituent of this index throughout the period.

Five year historical TSR performance



Growth in the value of a hypothetical £100 holding over 5 years. FTSE 100 comparison based on 30 trading day average values.

Elements of remuneration

Executive directors' remuneration comprises: basic salary, benefits in kind, annual bonus and pension benefits. In addition, executive directors and senior executives participate in certain share-based incentive schemes, currently comprising the Smiths Group Sharesave Scheme, the Smiths Group Performance Share Plan (the Performance Share Plan) and the Smiths Group Co-Investment Plan (the Co-Investment Plan). The Performance Share Plan and the Co-Investment Plan were both approved at the Annual General Meeting in 2004. Executive directors continue to hold awards under predecessor schemes, being the Smiths Industries 1995 Executive Share Option Scheme (the 1995 Scheme) and the Smiths Industries Senior Executive Deferred Share Scheme (the Deferred Share Scheme). The annual bonus element and executive share incentives are linked to performance. The Committee regards participation in share-based incentive schemes as a key element in the executive directors' remuneration packages.

The first grant of awards under the Performance Share Plan to executive directors and senior executives (who consequently no longer receive grants under the 1995 Scheme) took place in 2004/05, and further grants were made in 2005/06 and 2006/07. Executive directors and senior executives participated in the Co-Investment Plan, which replaced the Deferred Share Scheme, in 2005/06 and 2006/07.

Further information on the share plans is set out below.

Salary and benefits in kind

Salaries are reviewed annually for each executive director. The Committee takes into account individual performance and experience, the size and nature of the role, the relative performance of the Company, pay policy within the Company and the salaries in comparable industrial companies. The Committee revised the peer group of companies used to assess the competitiveness of the Company's remuneration packages following the disposal of Smiths Aerospace and corporate activity affecting peer group members. Benefits include a fully expensed company car (or an allowance in lieu), health insurance and, where appropriate, relocation and education expenses.

Bonuses

Executive directors are eligible to participate in an annual bonus plan based on a combination of corporate financial goals and individual achievements which, for 2006/07, included individual contributions toward transformational actions occurring during the year. The maximum level of bonus that may be awarded for the financial year 2007/08 is 100% (Chief Executive 120%) of salary. The Committee intends to review this level annually to ensure that it remains appropriately competitive. Bonuses paid to executive directors in respect of the 2006/07 financial year are set out in the table on page 36.

Executive directors and other senior executives are eligible, if invited, to participate in the Co-Investment Plan. Under this plan, participants are able to invest in shares an amount determined annually by the Committee not exceeding the full amount of their annual bonus or, if greater, 25% of salary (in both cases, on an after-tax basis). If the participant remains in service for three years, he will, subject to the Company satisfying a performance condition, be eligible to receive a one-for-one matching share award (based on the pre-tax amount of salary or deferred bonus in question). The applicable performance condition is that the Company's average return on capital employed over the performance period should exceed the Company's weighted average cost of capital over the same period by an average margin of at least 1% per annum. The Committee regards this condition as appropriate as it is a test of the operating efficiency of the Company but this will remain subject to annual review. There will be no retesting of the performance condition.

Dr Ferrie left the Group on completion of the disposal of Smiths Aerospace in May 2007. In the light of his exceptional contribution to the sale process, his bonus was calculated by reference to his full annual salary for the 2006/07 financial year, rather than the salary paid in the period to May 2007. No compensation payment was made to Dr Ferrie when he left the Group.

Pensions

The Company operates a number of different pension arrangements for executive directors, generally reflecting the individual's pension arrangements at the time he was appointed to the Board. In the case of Mr Butler-Wheelhouse, the Company pays a monthly salary supplement of a percentage of salary approved by the Committee to enable him to make his own pension provision. In the cases of Messrs Langston and Lillycrop, final salary schemes provide a pension of up to two-thirds of final pensionable salary. The Company continues to apply an earnings cap, on a basis similar to the pre-2006 statutory limit, to determine the proportion of overall pension payable by the regulated pension scheme, with the balance of pension provided by the Company; these arrangements substantially represent a continuation of pre-2006 practice and involve no additional cost for the Company. In appropriate cases, the Company permits the waiver of salary and pension supplement entitlements where the arrangement does not involve additional cost for the Company. Where such waivers are made, incentives and pension entitlements continue to be calculated by reference to salaries prior to these reductions. Details of the salary supplements, waiver and other pension provisions are set out in the tables on pages 36 and 37.

Directors' annual bonus payments and any gains under share incentive schemes are not pensionable.

Share options and performance shares

The Company operates a number of share incentive schemes for executive directors and other employees.

The 1995 Scheme was approved at the Annual General Meeting in 1995 and amended in 2001. For executive directors and other senior executives the 1995 Scheme was replaced by the Performance Share Plan in 2004. The 1995 Scheme continues to cover approximately 330 executives whose awards are approved by the Committee.

Under the Performance Share Plan, the maximum value of share awards which may normally be made annually to executive directors and other senior executives to date is 150% of base salary. The Committee has power in exceptional circumstances (such as the recruitment of an executive director) to make share awards up to a maximum value of 300% of base salary. Grants to executive directors in 2005/05 and 2006/07 have been at the maximum of 150% of base salary. For 2007/08, the Committee, having reviewed the competitiveness of the overall executive director remuneration packages, intends to grant awards to executive directors at a reduced level of 133.3% of base salary in the case of the Chief executive and 112.5% of base salary in other cases. Awards will be released after three years to the extent a performance condition is met. One-third of the award is subject to a TSR target relative to other FTSE 100 companies (excluding financial companies and investment trusts). For full vesting, the Company's TSR must be at or above the 75th percentile over the three year performance period. 25% of the award will vest if the Company's TSR is at median. Awards will vest on a straight-line pro rata basis between median and 75th percentile. The remaining two-thirds of the award will be subject to an earnings per share (EPS) growth target (measured before exceptional items). For the three year cycle commencing in 2006/07, full vesting will occur if the compound annual growth in EPS is equivalent to 12% per annum. 25% vesting will occur if the compound annual growth in EPS is equivalent to 5% per annum, with vesting on a straight-line basis between 5% and 12%.

The Committee considers the use of two measures, in these proportions, to be appropriate. The TSR performance measure is dependent on the Company's relative long-term share price performance, and therefore brings a market perspective to the Performance Share Plan. This is balanced by a key internal measure, EPS growth, which is critical to our long-term success and ties in with the Group's strategic goals.

The Committee determined the threshold and maximum vesting levels operated to date after considering the Company's historic performance and future plans, and on the basis of external advice. Having recently reviewed these and other factors the Committee continues to consider that the achievement of compound annual EPS growth of 12% per annum is a suitably demanding target for maximum vesting. This will remain subject to annual review. There will be no retesting of the TSR and EPS performance measures.

The Smiths Group Sharesave Scheme, which is open to all UK employees with 12 months' service, is subject to UK legislation as to the amount that can be saved. Participants save a fixed sum per month for three or five years and may use the sum generated by their savings contracts to exercise the options which are usually granted at a 20% discount to the market price.

In the financial year ended 31 July 2007, executive directors exercised share options and at 31 July 2007 held unexercised options and share awards as described in the table on pages 39 to 41.

With the exception of the exercise of Sharesave options by Mr Langston and Mr Lillycrop on 1 August 2007 and the lapse, on 8 September 2007, of the TI executive scheme options granted to Mr Langston and Mr Lillycrop on 8 September 1997, there were no changes in the options and awards held by directors between 1 August and 24 September 2007. The Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings, options to acquire shares in the Company and share awards.

Impact of the Return of Cash and 2 for 3 share capital consolidation

Participants under the Smiths Group share schemes are not the beneficial owners of the shares under their options and awards and so were unable to participate in the Return of Cash (other than in respect of shares beneficially owned by them, including shares acquired for the purposes of participation in certain of the share schemes). The Board determined that no adjustment should be made to their options and awards as the 2 for 3 share capital consolidation had the effect of maintaining the value of these options and awards, subject to normal market fluctuations. Following the 2 for 3 share capital consolidation, all such participants remained entitled to receive the same number of shares on exercise of their options and/or vesting of their awards as under their previous entitlement. Participants in the Smiths Group Co-Investment Plan, who are required to make an investment in shares (Invested Shares) as a condition to the grant of a matching award over shares (Matching Award), were entitled to participate in the Return of Cash in respect of their Invested Shares. Such participants had the choice to reinvest the Return of Cash received in respect of their Invested Shares (less an allowance for tax liabilities) in which case no adjustment was made to their Matching Award for the reasons stated above. Alternatively, they could elect not to reinvest, in which case the number of shares under their Matching Award would be reduced on a basis which reflects the 2 for 3 share capital consolidation. All directors elected for the first alternative and will reinvest in accordance with an agreed timetable. Participants in the predecessor share plan, the Smiths Industries Senior Executive Deferred Share Scheme, where the final award matures in December 2007, were entitled to retain the Return of Cash proceeds received in respect of their invested shares, and their options were not adjusted.

Remuneration

The total remuneration of directors, excluding the value of shares to which certain directors may become entitled under the Deferred Share Scheme, Performance Share Plan and Co-Investment Plan and also defined benefit pension arrangements, was as follows:

	2007 £000	2006 £000
Fees, salaries and benefits	2,740	3,207
Performance-related bonuses	1,943	2,047
Gain from exercise of share options	3,479	1,488
Incremental gain from deferred share scheme exercises	363	153
Payments in lieu of pension contribution	544	561
	9,069	7,456

The emoluments of the directors are set out below:

	Fees/salary		Benefits	Bonus	Payments in lieu of pension contribution	Total emoluments	
	2007 £000	2006 £000				2007 £000	2006 £000
Chairman							
D H Brydon	273	260	20	-	-	293	280
Chief Executive							
K O Butler-Wheelhouse	840	811	46	826	420	2,132	2,084
Executive directors							
J Langston	400	358	33	355	-	788	738
D P Lillycrop	359	342	69	359	-	787	737
Non-executive directors							
D J Challen	65	57	-	-	-	65	57
S J Chambers (appointed 27/11/06)	40	-	-	-	-	40	-
P J Jackson	65	63	-	-	-	65	63
P H Loescher (appointed 01/06/07)	8	-	-	-	-	8	-
Sir Kevin Tebbit (appointed 14/06/06)	50	6	-	-	-	50	6
Former directors							
Sir Nigel Broomfield (retired 31/03/07)*	33	48	-	-	-	33	48
J Ferrie (resigned 04/05/07)	309	392	56	403	124	892	843
Sir Julian Horn-Smith (retired 21/11/06)	20	52	-	-	-	20	52
R W O'Leary (deceased 14/08/06)	4	48	-	-	-	4	48
Lord Robertson of Port Ellen (resigned 27/02/06)	-	32	-	-	-	-	32
A M Thomson (retired 06/09/06)*	46	436	4	-	-	50	827
	2,512	2,905	228	1,943	544	5,227	5,815

*Mr Thomson, a former director, also received £276,839 in cash and benefits pursuant to a consultancy agreement operating between 7 September 2006 and 31 March 2007. Sir Nigel Broomfield, a former director, also received £6,667 pursuant to a consultancy agreement operating between 1 April and 31 July 2007.

- Shares which may be awarded under the Deferred Share Scheme, Performance Share Plan and Co-Investment Plan are as set out in the directors' share options table on pages 39 to 41.
- Under the arrangements approved by the Remuneration Committee, Mr Butler-Wheelhouse and Mr Thomson have waived entitlements to certain of their emoluments in return for the Company making equivalent amounts of contributions to the Smiths Industries Pension Scheme to provide money purchase benefits, which does not involve additional cost for the Company. Under these arrangements, Mr Butler-Wheelhouse waived £171,328 and Mr Thomson £88,665 during the year. The amounts waived would otherwise have been paid to Mr Butler-Wheelhouse as payments in lieu of pension contributions and Mr Thomson as salary or consultancy fee. For reasons of clarity, all amounts referred to are included in the table above.
- In common with other UK employees participating in the relevant pension schemes, the salaries of Messrs Langston, Lillycrop and Thomson were reduced by £8,250, £8,250 and £5,556 respectively and the Company paid the same amount directly to the pension schemes during the year. For reasons of clarity, the salaries shown in the table above for these directors are the amounts they would have been paid if they had not given up these salary entitlements.

Directors' pension entitlements

Accrued annual pension under defined benefit schemes

	Age at 31 July 2007	Accrued entitlement at 5 August 2006 £000	Additional pension earned during the year (excluding any increase for inflation) £000	Transfer value of accrued benefits at 31 July 2007 (A) £000	Transfer value of accrued benefits at 5 August 2006 (B) £000	The amount of (A - B) less contributions made by the director in 2007 £000	Accrued entitlement at 31 July 2007 £000
J Langston	57	176	30	3,656	3,020	636	212
D P Lillycrop	51	141	11	2,058	1,849	209	156
A M Thomson (retired 06/09/06)	60	233	14	5,237	4,654	583	253

Mr Thomson retired in September 2006 and he deferred drawing his pension until 1 April 2007. His total accrued entitlement on retirement was £252,643 p.a. which he took in the form of an annual pension. His pension in payment was increased on 1 May 2007, in accordance with the normal scheme increases, and is £259,128 p.a. at 31 July 2007.

1. An executive director's normal retirement age is 60. An early retirement pension, based on actual service completed, may be paid after age 50 and may be subject to a reduction on account of early payment. On death, a spouse's pension of two-thirds of the director's pension (or for death-in-service his prospective pension at age 60) is payable. All pensions in excess of the Guaranteed Minimum Pension (GMP) are guaranteed to increase at the lesser of (i) in the case of Mr Thomson, 5% per annum compound and, in the case of Messrs Langston and Lillycrop, 7% per annum compound and (ii) the annual increase in the Retail Prices Index. There has, however, been a long-standing practice of granting additional discretionary increases on pensions in excess of the GMP to bring them into line with price inflation.
2. In common with other UK employees participating in the relevant pension schemes, the salaries of Messrs Langston, Lillycrop and Thomson were reduced by £8,250, £8,250 and £5,556 respectively and the Company paid the same amount directly to the pension schemes during the year. The benefits provided under the relevant pension schemes were not affected by these arrangements. Separately, as described in Note 2 on page 36, additional pension benefits were provided to Mr Thomson following his waiver of a further £88,665 of salary.
3. Transfer values of the accrued benefits have been calculated in accordance with actuarial guidance (GN11), and represent the amount that the pension scheme would pay to another pension provider if the member elects to transfer all of his benefits out of the scheme. The transfer values do not represent sums payable or due to the individual directors and therefore cannot be added meaningfully to annual remuneration.

Directors' interests in the Company's shares

	Ordinary shares of 37.5p each 31 July 2007	Ordinary shares of 25p each 5 August 2006
D H Brydon	8,000	12,000
K O Butler-Wheelhouse	400,732	429,620
D J Challen	1,333	2,000
S J Chambers (appointed 27/11/06)	1,333	2,000†
P J Jackson	0	0
J Langston	112,824	94,351
D P Lillycrop	80,623	80,254
P H Loescher (appointed 01/06/07)	0	0†
Sir Kevin Tebbit	0	0
Sir Nigel Broomfield (retired 31/03/07)	103*	103
J Ferrie (resigned 04/05/07)	151,495*	124,898
Sir Julian Horn-Smith (retired 21/11/06)	6,682*	6,682
R W O'Leary (deceased 14/08/06)	0*	0
A M Thomson (retired 06/09/06)	138,663*	138,663

*Indicates holding of ordinary shares of 25p each at date of resignation.

†Indicates holding of ordinary shares of 25p each at date of appointment.

These interests include beneficial interests of the directors and their families in the Company's shares held in trusts and holdings through nominee companies. None of the directors has disclosed any non-beneficial interests in the Company's shares. Messrs Butler-Wheelhouse, Langston and Lillycrop each have a technical interest in 433,333 ordinary shares of 37.5p held by the Employee Share Trust by virtue of their being potential beneficiaries of the Trust.

Mr Langston exercised his 2004 Issue Sharesave option on 1 August 2007 and acquired 1,795 ordinary shares of 37.5p each at the exercise price of 525p per share. On the same day Mr Lillycrop exercised his 2002 Issue Sharesave option and acquired 1,539 ordinary shares of 37.5p each at the exercise price of 645p per share. The Company has not been notified of any other changes to the holdings of the current directors, their families and any connected persons between 1 August and 24 September 2007.

Share ownership

It is the Company's policy that executive directors should, over time, acquire a shareholding with a value equal to at least one and a half years' gross salary.

Service contracts

The Company's policy is that executive directors are employed on terms which include a one-year rolling period of notice and provision for the payment of predetermined damages in the event of termination of employment in certain circumstances.

Mr Butler-Wheelhouse is employed under a service contract with the Company dated 26 September 2001, as varied by a letter dated 31 July 2007. Mr Butler-Wheelhouse's contract may be terminated by 12 months' notice given by the Company or six months' notice given by Mr Butler-Wheelhouse. It had been announced that Mr Butler-Wheelhouse would be retiring on 31 July 2008 and no compensation would have been payable to him under his service contract on retirement. As was announced on 26 September 2007, the Company elected to terminate Mr Butler-Wheelhouse's employment prior to 31 July 2008 in order to facilitate handover arrangements to his successor as Chief Executive and he is accordingly entitled to receive his salary, pension allowance and benefits in kind for the period from 11 December 2007 to 31 July 2008. Mr Butler-Wheelhouse is also entitled to a cash bonus in respect of the 2007/08 financial year equal to the average of the annual bonuses paid to him over the three financial years 2004/05, 2005/06 and 2006/07.

Messrs Langston and Lillycrop are employed under service contracts with the Company dated 26 September 2001. Each service contract is for an indefinite term expressed to end automatically on the anticipated normal retirement date (age 60), but may be terminated by 12 months' notice given by the Company or six months' notice given by the director concerned. The Company may at its discretion elect to terminate the contract by making a payment in lieu of notice on the following terms:

- (a) the salary receivable during the notice period;
- (b) an amount equal to 50% of the maximum bonus potential receivable under the executive bonus scheme for the then current bonus year;
- (c) the annual cost to the Company of providing all other benefits to which directors were entitled under their contracts, which has been pre-agreed as 10% of basic salary; and
- (d) an amount equal to the cost of securing one year's pensionable service in the appropriate pension scheme(s). In addition, the Company has given its irrevocable consent to early payment of their pension from age 50 and without actuarial reduction from age 55.

Dr Ferrie left the group on completion of the disposal of Smiths Aerospace in May 2007. He was employed under a service contract with the Company dated 31 January 2000 which was terminable on 12 months' notice given by the Company or six months' notice given by Dr Ferrie. No compensation payment was made to Dr Ferrie when he left the Group.

External appointments

Subject to the overriding requirements of the Company, the Committee is prepared to allow executive directors to accept external appointments where it considers that such appointments will contribute to the director's breadth of knowledge and experience. Directors are permitted to retain fees associated with such appointments.

The total amounts of fees earned in the financial year to 31 July 2007 by Mr Thomson (up to his retirement from the Board on 6 September 2006) in respect of non-executive directorships elsewhere was £3,750.

Chairman and non-executive directors

Non-executive directors (which term excludes the Chairman) were paid fees totalling £285,000 in the financial year ended 31 July 2007. Their remuneration is determined by the Board in accordance with the Articles of Association. During the year, the basic fee was £50,000 per annum. The Chairman and the non-executive directors are not eligible for bonuses or participation in share schemes and no pension contributions are made on their behalf. The Chairman and the non-executive directors serve the Company under letters of appointment and do not have contracts of service or contracts for services.

Auditable part

The directors' remuneration tables and accompanying notes on page 36; the directors' pensions table and accompanying notes on page 37; and the directors' share options table on pages 39 to 41 have been audited.

The Directors' remuneration report has been approved by the Board and signed on its behalf by:

S J Chambers

27 September 2007

Directors' share options and long-term share plans

Director and Scheme	Options and awards held on 31 July 2007	Options and awards held on 5 August 2006	Option and award data						Options exercised 2006/07			
	Number	Number	Performance test	Exercise price	Grant date	Vesting date*	Expiry date**	Exercise date	Number	Exercise price	Market price at date of grant***	Market price at date of exercise†
K O Butler-Wheelhouse												
95 ESOS	0‡	645	A	823.00p	25/10/96	25/10/99	25/10/06					
	86,849	86,849	B	806.00p	09/04/02	09/04/05	09/04/12					
	86,848	86,848	C	806.00p	09/04/02	09/04/05	09/04/12					
	0	112,500	B	654.00p	02/10/02	02/10/05		02/02/07	112,500	654.00p	654.00p	1,068.13p
	0	112,500	C	654.00p	02/10/02	02/10/05		02/02/07	112,500	654.00p	654.00p	1,068.13p
	0	113,125	B	669.00p	01/10/03	01/10/06		02/02/07	113,125	669.00p	669.00p	1,068.13p
	0	113,125	C	669.00p	01/10/03	01/10/06		02/02/07	113,125	669.00p	669.00p	1,068.13p
PSP	100,746	100,746	D	n/a	07/12/04	07/12/07	07/12/07					
	50,373	50,373	E	n/a	07/12/04	07/12/07	07/12/07					
	86,548	86,548	D	n/a	07/10/05	20/10/08	20/10/08					
	43,274	43,274	E	n/a	07/10/05	20/10/08	20/10/08					
	93,698	0	D	n/a	29/09/06	25/10/09	25/10/09					
	46,849	0	E	n/a	29/09/06	25/10/09	25/10/09					
CIP	125,937	125,937	F	n/a	25/10/05	24/09/08	24/09/08					
	75,213	0	F	n/a	02/02/07	30/09/09	30/09/09					
SAYE	2,964	2,964		554.00p	08/05/03	01/08/08	01/02/09					
DSS	0	45,396		0.10p	24/10/03	24/10/06		02/02/07	45,396	0.01p	693.25p	1,068.13p
	58,987	58,987		0.10p	07/12/04	07/12/07	07/11/11					
J Langston												
95 ESOS	38,462	38,462	B	806.00p	09/04/02	09/04/05	09/04/12					
	38,461	38,461	C	806.00p	09/04/02	09/04/05	09/04/12					
	0	49,750	B	654.00p	02/10/02	02/10/05		02/02/07	49,750	654.00p	654.00p	1,068.13p
	0	49,750	C	654.00p	02/10/02	02/10/05		02/02/07	49,750	654.00p	654.00p	1,068.13p
	0	50,000	B	669.00p	01/10/03	01/10/06		02/02/07	50,000	669.00p	669.00p	1,068.13p
	0	50,000	C	669.00p	01/10/03	01/10/06		02/02/07	50,000	669.00p	669.00p	1,068.13p
PSP	44,547	44,547	D	n/a	07/12/04	07/12/07	07/12/07					
	22,274	22,274	E	n/a	07/12/04	07/12/07	07/12/07					
	38,269	38,269	D	n/a	07/10/05	20/10/08	20/10/08					
	19,135	19,135	E	n/a	07/10/05	20/10/08	20/10/08					
	44,618	0	D	n/a	29/09/06	25/10/09	25/10/09					
	22,309	0	E	n/a	29/09/06	25/10/09	25/10/09					
CIP	51,680	51,680	F	n/a	25/10/05	24/09/08	24/09/08					
	31,881	0	F	n/a	02/02/07	30/09/09	30/09/09					
SAYE	1,795	1,795		525.00p	05/05/04	01/08/07		<i>exercised 01/08/07</i>				
	1,088	0		868.00p	18/05/07	01/08/10	01/02/11					
DSS	0	18,091		0.10p	24/10/03	24/10/06		02/02/07	18,091	0.01p	693.25p	1,068.13p
	17,922	17,922		0.10p	07/12/04	07/12/07	07/11/11					
TI 90 ESOS	0‡	14,264		1,097.82p	02/04/97	02/04/00	02/04/07					
	18,691	18,691		1,219.80p	08/09/97	08/09/00		<i>lapsed 08/09/07</i>				
	0	14,756		1,026.66p	13/03/98	13/03/01		02/02/07	14,756	1,026.66p	1,026.66p	1,068.13p

Director and Scheme	Options and awards held on 31 July 2007	Options and awards held on 5 August 2006	Performance test	Exercise price	Grant date	Option and award data			Options exercised 2006/07			
	Number	Number				Vesting date*	Expiry date**	Exercise date	Number	Exercise price	Market price at date of grant***	Market price at date of exercise†
D P Lillycrop												
95 ESOS												
	37,221	37,221	B	806.00p	09/04/02	09/04/05	09/04/12					
	37,220	37,220	C	806.00p	09/04/02	09/04/05	09/04/12					
	0	47,500	B	654.00p	02/10/02	02/10/05		02/02/07	47,500	654.00p	654.00p	1,068.13p
	0	47,500	C	654.00p	02/10/02	02/10/05		02/02/07	47,500	654.00p	654.00p	1,068.13p
	0	47,750	B	669.00p	01/10/03	01/10/06		02/02/07	47,750	669.00p	669.00p	1,068.13p
	0	47,750	C	669.00p	01/10/03	01/10/06		02/02/07	47,750	669.00p	669.00p	1,068.13p
PSP												
	42,491	42,491	D	n/a	07/12/04	07/12/07	07/12/07					
	21,246	21,246	E	n/a	07/12/04	07/12/07	07/12/07					
	36,503	36,503	D	n/a	07/10/05	20/10/08	20/10/08					
	18,252	18,252	E	n/a	07/10/05	20/10/08	20/10/08					
	40,060	0	D	n/a	29/09/06	25/10/09	25/10/09					
	20,030	0	E	n/a	29/09/06	25/10/09	25/10/09					
CIP												
	45,362	45,362	F	n/a	25/10/05	24/09/08	24/09/08					
	29,994	0	F	n/a	02/02/07	30/09/09	30/09/09					
SAYE												
	1,539	1,539		645.00p	09/05/02	01/08/07		exercised 01/08/07				
	1,185	1,185		554.00p	08/05/03	01/08/08	01/02/09					
	1,131	0		868.00p	18/05/07	01/08/10	01/02/11					
DSS												
	0	14,219		0.10p	24/10/03	24/10/06		02/02/07	14,219	0.01p	693.25p	1,068.13p
	21,750	21,750		0.10p	07/12/04	07/12/07	07/11/11					
TI 90 ESOS												
	0‡	11,067		1,121.20p	09/09/96	09/09/99	09/09/06					
	0‡	15,248		1,097.82p	02/04/97	02/04/00	02/04/07					
	19,675	19,675		1,219.80p	08/09/97	08/09/00		lapsed 08/09/07				
	23,364	23,364		1,026.66p	13/03/98	13/03/01	13/03/08					
	0	36,153		943.31p	11/03/99	11/03/02	11/03/09	02/02/07	36,153	943.31p	943.31p	1,068.13p
J Ferrie – transferred 04/05/07												
95 ESOS												
	39,702#	39,702	B	806.00p	09/04/02	09/04/05	06/07/09					
	39,702#	39,702	C	806.00p	09/04/02	09/04/05	06/07/09					
	54,250#	54,250	B	654.00p	02/10/02	02/10/05	06/07/09					
	54,250#	54,250	C	654.00p	02/10/02	02/10/05	06/07/09					
	54,500#	54,500	B	669.00p	01/10/03	01/10/06	06/07/09					
	54,500#	54,500	C	669.00p	01/10/03	01/10/06	06/07/09					
PSP												
	48,659#	48,659	D	n/a	07/12/04	07/12/07	07/12/07					
	24,330#	24,330	E	n/a	07/12/04	07/12/07	07/12/07					
	41,802#	41,802	D	n/a	07/10/05	07/10/08	20/10/08					
	20,901#	20,901	E	n/a	07/10/05	07/10/08	20/10/08					
	45,001#	0	D	n/a	29/09/06	25/10/09	25/10/09					
	22,501#	0	E	n/a	29/09/06	25/10/09	25/10/09					
CIP												
	31,571#	31,571	F	n/a	25/10/05	25/10/08	25/10/08					
	21,517#	0	F	n/a	02/02/07	30/09/09	30/09/09					
SAYE												
	0	2,775		608.00p	10/05/01	01/08/06		09/08/06	2,775	608.00p	608.00p	881.50p
DSS												
	0	19,028		0.10p	24/10/03	24/10/06		02/02/07	19,028	0.01p	693.25p	1,068.13p
	26,852#	26,852		0.10p	07/12/04	04/05/07	04/11/07					

Director and Scheme	Options and awards held on 31 July 2007	Options and awards held on 5 August 2006	Performance test	Exercise price	Grant date	Option and award data			Options exercised 2006/07		
	Number	Number				Vesting date*	Expiry date**	Exercise date	Number	Exercise price	Market price at date of grant***
A M Thomson – retired 06/09/06											
95 ESOS											
	21,590#	21,590	A	934.00p	17/10/97	17/10/00	17/10/07				
	31,982#	31,982	A	765.00p	21/10/98	21/10/01	06/03/08				
	24,790#	24,790	A	858.50p	01/10/99	01/10/02	06/03/08				
	31,598#	31,598	A	807.00p	01/12/00	01/12/03	06/03/08				
	26,250#	26,250	A	790.00p	19/04/01	19/04/04	06/03/08				
	44,665#	44,665	B	806.00p	09/04/02	09/04/05	06/03/08				
	44,665#	44,665	C	806.00p	09/04/02	09/04/05	06/03/08				
	60,500#	60,500	B	654.00p	02/10/02	02/10/05	06/03/08				
	60,500#	60,500	C	654.00p	02/10/02	02/10/05	06/03/08				
	60,875#	60,875	B	669.00p	01/10/03	01/10/06	06/03/08				
	60,875#	60,875	C	669.00p	01/10/03	01/10/06	06/03/08				
PSP											
	54,142#	54,142	D	n/a	07/12/04	07/12/07	07/12/07				
	27,071#	27,071	E	n/a	07/12/04	07/12/07	07/12/07				
	46,512#	46,512	D	n/a	07/10/05	07/10/08	20/10/08				
	23,256#	23,256	E	n/a	07/10/05	07/10/08	20/10/08				
CIP											
	55,414#	55,414	F	n/a	25/10/05	25/10/08	25/10/08				
DSS											
	15,709#	15,709		0.10p	24/10/03	24/10/06	06/03/07				
	22,771#	22,771		0.10p	07/12/04	06/09/06	06/03/07				

Key

95 ESOS	The Smiths Industries 1995 Executive Share Option Scheme
PSP	The Smiths Group Performance Share Plan
CIP	The Smiths Group Co-Investment Plan
SAYE	The Smiths Group Sharesave Scheme
DSS	The Smiths Industries Senior Executive Deferred Share Scheme
TI 90 ESOS	The TI Group (1990) Executive Share Option Scheme

Performance tests

- A Total Shareholder Return of the Company versus the Total Return of FTSE General Industrials Index
B EPS growth versus UK RPI Index + 3% p.a.
C EPS growth versus UK RPI Index + 4% p.a.
D Earnings Per Share growth test (see above)
E Total Shareholder Return rank test (see above)
F Return on Capital Employed test (see above)

* The Vesting dates shown above in respect of options granted under the 95 ESOS and awards made under the PSP and CIP are subject to the relevant performance test being passed.

**The Expiry dates shown above apply in normal circumstances. No Expiry date is shown if the option or award has been exercised or lapsed prior to 24 September 2007 or, in the cases of the two former directors, their respective dates of termination, where the Expiry dates shown are specific to the individual's circumstances.

*** Market price of a Smiths share at date of grant (if different from exercise price). The exercise price of an option under the Smiths Group Sharesave Scheme is set at 20% less than the mid-market closing price of a Smiths share on the business day preceding the date on which employees are invited to participate in the grant. The market prices for Deferred Share Scheme options are actual prices paid for the matching shares purchased by the optionholders.

† Mid-market closing quotation from the London Stock Exchange Daily Official List or actual sale price, if applicable.

‡ denotes the option lapsed on the 10th anniversary of its date of grant.

Options held at date of cessation of appointment as a director of the Company.

Notes

The high and low mid-market closing prices of the ordinary shares during the period 6 August 2006 to 31 July 2007 were 1190p and 840p respectively.

The mid-market closing price on 4 August 2006 was 897.5p and on 31 July 2007 was 1047p.

The mid-market closing prices of a Smiths share on the dates of awards made to directors under the PSP and CIP in the 2006/07 financial year were 896.5p (PSP award on 29/09/06) and 1068.5p (CIP award on 02/02/07).

Of the 495,152 shares under options granted to and held by directors under the 95 ESOS, SAYE and DSS at 31 July 2007, 456,786 shares were granted at exercise prices below the market price of a Smiths Group share on 24 September 2007 (1050p) and 38,366 shares were at exercise prices above the market price on that date.

None of the options or awards listed above was subject to any payment on grant.

Options which lapsed during the financial year ended 31 July 2007 are indicated in the table above by a double dagger mark ‡: no other options or awards held by any director lapsed during the period 6 August 2006 to 31 July 2007.

No other Director held any options over the Company's shares during the period 6 August 2006 to 31 July 2007.

On 1 August 2007 Mr J Langston exercised his 2004 Issue SAYE option and Mr D P Lillycrop exercised his 2002 Issue SAYE option. The options granted to Mr Langston and Mr Lillycrop under the TI 90 ESOS on 8 September 1997 lapsed on the 10th anniversary of the date of grant. No other options or awards have been granted or exercised or have lapsed during the period 1 August to 24 September 2007.

Executive directors received their final grants of options under the 95 ESOS in October 2003. From 2004 senior executives, including directors, receive awards under the PSP. The final grant of options under the DSS was issued in December 2004: the DSS has been replaced by the CIP.

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 granted under the 95 ESOS up to 2001 were subject to performance testing based on total shareholder return of the Company versus the total return of the General Industrials Sector of the FTSE All Shares Index. Options granted from 2002 are subject to a performance test based on growth in the Company'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 Company'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). The performance tests for options granted up to and including October 2003 have all been passed with the sole exception of the grant on 9 April 2002, which failed its initial test and two retests. No further retests of the April 2002 grant will be undertaken. The April 2002 grant can now only be exercised in the event of a change in control of the Company or by certain 'good leavers'. Dr Ferrie qualified as such a good leaver and his April 2002 option vested on his cessation of employment. Mr Thomson's April 2002 option has not vested.

Under the DSS executive directors were able to use their after-tax bonus to purchase the Company's shares at the prevailing market price. At the end of a three year period, if the Director is still in office, he can exercise an option granted to him over matching shares, in respect of any shares retained for that period. The number of matching shares awarded was determined by the Committee at the end of the year in which the bonus was earned by reference to annual bonus, and other corporate financial criteria. The last grant under the DSS was made on 7 December 2004, in respect of bonus earned in the year to 31 July 2004, and matched shares purchased in the market by the grantee on that day. At 31 July 2007 the trustee of the DSS held 634,274 shares for the benefit of senior executives (including the directors as disclosed above). The market value of these shares at that date was £6.64m and dividends of approximately £246,567 were waived in the year in respect of the shares.

There are no performance criteria for the SAYE, DSS or the TI 90 ESOS.

Special provisions permit early exercise of options and vesting of awards in the event of retirement; redundancy; death; etc.