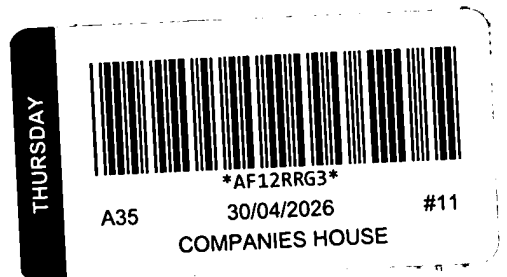


Registered number: 480992

SMITHS DETECTION - WATFORD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2025



SMITHS DETECTION - WATFORD LIMITED

COMPANY INFORMATION

Directors	R E Thompson A Irvine
Registered number	480992
Registered office	Century House Maylands Avenue Hemel Hempstead Hertfordshire HP2 7DE

SMITHS DETECTION - WATFORD LIMITED

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SMITHS DETECTION - WATFORD LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2025

Introduction

The directors present their strategic report on Smiths Detection - Watford Limited ("the Company") for the year ended 31 July 2025.

Business review and principal activities

The Company's principal activities in the year were those of the design, manufacture and selling of trace chemical detection products and integrated systems into defence and emergency responders' markets, and the distribution and service of X-ray and Computed Tomography detection equipment into critical infrastructure and transportation markets. The Company operates within the Detection Division of Smiths Group plc ("the Group"). These activities have not materially changed during the year.

The results for the year show turnover of £147,840k (2024: £130,153k) and operating profit of £6,385k (2024: £3,301k) for the year.

Principal risks and uncertainties

On 3 December 2025, Smiths Group plc announced the sale of Smiths Detection to funds advised by CVC Capital Partners for an enterprise value of £2.0bn, representing a 16.3x multiple of FY2025 headline operating profit and a 12.5x headline EBITDA multiple. The separation process and regulatory clearances are progressing well and remain on track to complete in the second half of this calendar year. Smiths Detection – Watford Limited continues to operate on a business-as-usual basis throughout this period.

In assessing the Company's future prospects, the Directors have considered the proposed sale of the Smiths Detection business, together with the Company's inter-dependency with the wider Smiths Group. Based on this assessment, and having regard to the financial position of the Group, the Directors consider it appropriate to prepare the financial statements on a going concern basis and do not consider that there are any material uncertainties which would cast significant doubt on the Company's ability to continue in operational existence.

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company arise because a considerable proportion of the Company's revenue relates to large programmes in the aviation sector and a significant development programme in the military sector which come with associated programme risk. Additionally, markets served by the Company are particularly influenced by the political landscape, specific events and the perception of the threat of terrorist activity or other security issues. This political landscape and perception is likely to remain variable.

The business mitigates these commercial and operational risks through the continual development of innovative products and market leading technologies in all its key markets. The Company has also been investing heavily into its programme management team to improve capacity and planning capability, to reduce the schedule risks associated with these large-scale contracts.

Key performance indicators

The Company's key performance indicators are revenue derived from outside the Smiths Group plc group of companies ("the Group"), operating profit and cash flow. The Company recorded non-Group derived revenue of £85,418k (2024: £93,467k) plus Group-derived revenue of £62,423k (2024: £36,686k) combining to equal the statutory revenue of £147,840k (2024: £130,153k), which was in excess of expectations for the year. Operating profit was £6,385k (2024: £3,301k) in the year and trading cash inflow was £27,777k (2024: outflow £9,677k).

SMITHS DETECTION - WATFORD LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2025**

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



A Irvine
Director

Date: 28 April 2026

SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2025

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 July 2025.

The profit for the year, after taxation, amounted to £3,074k (2024 - profit £720k).

Proposed dividend

No dividends were paid in the year ended 31 July 2025 (2024: £nil). The directors do not recommend the payment of final dividend.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

R E Thompson
A Irvine

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

SECTION 172 STATEMENT

The directors of the Company have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members. As part of the Company's deliberations and decision making process, the Board takes into 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; (v) the desirability of the Company maintaining a reputation for high standards of business conduct and (vi) the need to act fairly as between members of the company.

Board governance

The Company is part of the Smiths Group and is ultimately owned by Smiths Group plc ('Group'), which is responsible for setting the overall strategy of the Group, maintaining oversight of the Group's activities and setting its risk appetite. The Directors fulfil their duties substantially through a governance framework that delegates day to day decision making to the senior site management team and other employees of the Company. The Directors believe that governance is best achieved by delegation of their authority subject to defined limits detailed in a clear delegation of authority policy. This policy is consistently embedded across the wider Smiths Detection group of companies. The governance framework delegates authority for local decision making to the business unit level up to defined levels of cost and impact, which allows the Company to take account of the needs of its own stakeholders in decision making. Reports are made regularly to the board of the parent company and the ultimate parent company.

The Company's purpose is underpinned by principles and values of integrity, respect, ownership, customer focus and passion. These values are adopted from the Company's ultimate parent, Smiths Group plc.

The Board will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the Group means that stakeholder engagement often takes place at an operational level. In these instances, the Board is informed of stakeholder views through management reports and presentations. Most decisions made by the Board during the year are deemed to be routine in nature and are taken on regular basis in line with the delegation of authority policy mentioned above.

Engaging with Stakeholders

The Company acknowledges that the success of the Company is dependent on the support of various

SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2025

stakeholders. The Board considers its stakeholders to be our shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment. The Company also took into account the views and interests of a wider set of stakeholders including our regulators, the government, and non-government organisations. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long term values and will operate the business in a sustainable way.

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

The Company maintains an open dialogue with its workforce. The Company engaged with the workforce through a number of methods in the financial reporting year including town hall style meetings at site and divisional level, news bulletins, employee "My Say" surveys, and the employee engagement network which meets periodically to review issues affecting the site.

The Company engages with the local community through learning initiatives in local schools and also supports charitable organisations through local fundraising activities. Apprenticeships are offered by the Company, particularly in engineering fields.

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

Further explanations of how the Smiths Group Plc board has considered matters set out in section 172 (for the Group and for the Company) can be found on page 58 of the Group Annual Report and Accounts for the year ended 31 July 2025, which does not form part of this report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2024: nil).

Future developments

On 3 December 2025, Smiths Group announced the sale of Smiths Detection through to CVC Capital Partners for £2.0bn enterprise value representing a 16.3x multiple of FY2025 headline operating profit and a 12.5x headline EBITDA. The separation process and regulatory clearance is progressing well and remain on track to complete in the second half of this calendar year. Smiths Detection -Watford Limited continues with operations on a business-as-usual basis.

Going concern

In making their assessment of going concern, the Directors have considered the Company's financial position, cash flow forecasts and its inter-dependency with the wider Smiths Group, together with the proposed sale of the Smiths Detection business to funds advised by CVC Capital Partners. Based on this assessment, the Directors consider it appropriate to prepare the financial statements on a going concern basis and do not consider that there are any material uncertainties which would cast significant doubt on the Company's ability to continue in operational existence.

SMITHS DETECTION - WATFORD LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2025

Research and development

Products are being continually upgraded to provide greater levels of threat detection and to meet the customers' most demanding requirements. The total research and development spend for the year was £11,347k (2024: £16,608k). The Company is investing mainly in new chemical and explosive detection products and has also continued investing in additional biological detection capability also.

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

Employment policies

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

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

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

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company's greenhouse gas emissions and energy consumption for the year are included in the Streamlined Energy & Carbon Reporting within the Smiths Group plc annual report.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

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


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.

SMITHS DETECTION - WATFORD LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2025**

This report was approved by the board on 28 April 2026 and signed on its behalf.


.....
A Irvine
Director

SMITHS DETECTION - WATFORD LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

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

Opinion

We have audited the financial statements of Smiths Detection Watford limited ("the Company") for the year ended 31 July 2025 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2025 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

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.
- Reading board minutes

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

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries; and the risk that program revenue is overstated through inappropriate identification of performance obligations.

We performed procedures including:

- Identifying journal entries and other adjustments to test, based on risk criteria, and comparing the identified

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

entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

- Assessing whether the judgement made in identification of performance obligations are indicative of a potential bias, including those over revenue recognition for long-term contracts.

Identifying and responding to risks of material misstatement related to 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.

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

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

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

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

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

- 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 7, 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.

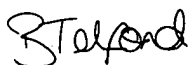
Auditor's responsibilities

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.



Bethan Telford (Senior statutory auditor)

for and on behalf of

KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London E14 5GL

E14 5GL

28 April 2026

SMITHS DETECTION - WATFORD LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2025**

	Note	2025 £000	2024 £000
Turnover		147,840	130,153
Cost of sales		(127,571)	(107,683)
Gross profit		<u>20,269</u>	<u>22,470</u>
Distribution costs		(3,476)	(4,023)
Administrative expenses		(10,408)	(15,146)
Operating profit	4	<u>6,385</u>	<u>3,301</u>
Interest payable and similar expenses	8	(3,082)	(2,539)
Profit before tax		<u>3,303</u>	<u>762</u>
Tax on profit	9	(229)	(42)
Profit for the financial year		<u><u>3,074</u></u>	<u><u>720</u></u>

The notes on pages 16 to 40 form part of these financial statements.

SMITHS DETECTION - WATFORD LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2025**

	Note	2025 £000	2024 £000
Profit for the financial year		3,074	720
Other comprehensive income/(expense):			
Currency translation differences		10	(4)
Fair value gains / (losses) on cash flow hedges		146	(161)
		156	(165)
Total comprehensive income for the year		3,230	555

The notes on pages 16 to 40 form part of these financial statements.

SMITHS DETECTION - WATFORD LIMITED
REGISTERED NUMBER:480992

BALANCE SHEET
AS AT 31 JULY 2025

	Note	2025 £000	2025 £000	Restated 2024 £000	Restated 2024 £000
Fixed assets					
Intangible assets	10		6,545		34,222
Tangible assets	11		6,344		6,987
Investments	12		8		8
			12,897		41,217
Current assets					
Stocks	13	36,315		31,792	
Debtors: amounts falling due within one year	14	71,228		53,770	
Cash at bank and in hand	15	4,230		2,787	
		111,773		88,349	
Creditors: amounts falling due within one year	16	(108,441)		(106,706)	
Net current assets/(liabilities)			3,332		(18,357)
Total assets less current liabilities			16,229		22,860
Creditors: amounts falling due after more than one year	17		(14,419)		(23,348)
			1,810		(488)
Provisions for liabilities					
Other provisions	20	(761)		(1,967)	
			(761)		(1,967)
Net assets/(liabilities)			1,049		(2,455)
Capital and reserves					
Called up share capital	21		77		77
Share premium account			631		631
Foreign exchange reserve			-		(146)
Other reserves			3,473		3,199
Profit And Loss Account			(3,132)		(6,216)
			1,049		(2,455)

SMITHS DETECTION - WATFORD LIMITED
REGISTERED NUMBER:480992

BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2025

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2026.



A Irvine
Director

The notes on pages 16 to 40 form part of these financial statements.

SMITHS DETECTION - WATFORD LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2025**

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 August 2023	77	631	15	2,990	(6,932)	(3,219)
Profit for the financial year	-	-	-	-	720	720
Currency translation differences	-	-	-	-	(4)	(4)
Other comprehensive income	-	-	(161)	-	-	(161)
Share based payment	-	-	-	209	-	209
At 1 August 2024	77	631	(146)	3,199	(6,216)	(2,455)
Profit for the financial year	-	-	-	-	3,074	3,074
Currency translation differences	-	-	-	-	10	10
Other comprehensive income	-	-	146	-	-	146
Share based payment	-	-	-	274	-	274
At 31 July 2025	77	631	-	3,473	(3,132)	1,049

The notes on pages 16 to 40 form part of these financial statements.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

1. General information

Smiths Detection - Watford Limited, the "Company", is a private company incorporated, domiciled and registered in England, in the UK. The registered number is 480992 and the registered address is Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, UK, HP2 7DE.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The following policies have been consistently applied. The financial statements have been prepared under the historical cost convention unless otherwise stated.

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions (continued)

- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.3 Going concern

On 3 December 2025, Smiths Group plc announced the sale of Smiths Detection to CVC Capital Partners for £2.0bn enterprise value representing a 16.3x multiple of FY2025 headline operating profit and 12.5x headline EBITDA. The separation process and regulatory clearance is progressing well and remain on track to complete in the second half of this calendar year.

Smiths Detection Watford Limited continues with operations on a business-as-usual basis.

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 undertaken a rigorous assessment of financial forecasts, mitigating actions the Company can take and performed sensitivity analysis in order to assess the impact of the Company's liquidity position.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funding to meet its liabilities as they fall due for that period.

Those forecasts are dependent on its immediate parent company, Smiths Detection Group Limited, not seeking repayment of the amounts currently due to the group, which at 31 July 2025 amounted to £22,775k, and providing additional financial support during that period. Smiths Detection Group Limited 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, for the period covered by the forecasts. 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.

Inter-dependency with Smiths Group plc ('the Existing Group') and Smiths Detection Group Limited with its subsidiaries ('the Detection Group'), together ('the Group').

The Director's assessment of going concern has considered the extent to which the Company's ability to remain a going concern is interdependent with that of the Group. The Company has dependency with the Group in respect of the following:

- provision of administrative support services: should the Group be unable to deliver these services, the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements. In the event of the cash being required elsewhere in the Group, the Company might not be able to access its cash balance within the pooling arrangement;
- recovery of receivables from fellow Group undertakings. If these receivables are not able to be recovered when forecast by the Company, then the Company might have difficulty in continuing to trade; and
- additional funding that might be required if the company suffers potential future losses.

Given the interdependency the Company has with the Existing Group, the Directors have considered the financial position of the ultimate parent company as disclosed in its most recent consolidated

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.3 Going concern (continued)

financial statements, being for the six-month period ended 31 January 2026, and the outlook for the Detection Group.

The Directors have concluded that there is a positive outlook for the Detection Group and for Detection Watford, as is evident through the amount being paid for the Detection business as part of the sale process.

In undertaking the going concern assessment, the Directors have considered many factors, including the impact of the proposed sale of the Detection Group. The Company's ultimate parent company has signed a conditional contract to sell the Detection Group.

The Directors have a reasonable expectation that the acquirer will support the operations of the Detection Group given the portfolio of profitable and cash generative contracts operated by the Group.

The Directors have considered the possibility that the acquirer would undertake a group restructuring which could impact on the Company in the future. They consider that this possibility is unlikely to occur in the next twelve months, however there can be no certainty that it will not do so as the intentions of the acquirer are not certain at the date of approval of these financial statements.

Due to the nature of the Company's operations within aviation and defence sectors, any such restructuring would require significant time, and is highly unlikely to be implemented within 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.

2.4 Post balance sheet events

There were no material post balance sheet events requiring adjustment to, or disclosure in, these financial statements.

The Directors' assessment of going concern is set out in note 2.3.

2.5 Foreign currency translation

The Company's presentational currency is sterling. The results and financial position of the Company are translated into sterling as follows:

- assets and liabilities are translated at the rate of exchange at the balance sheet date; and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on transactions are recognised in the profit and loss account. Those arising on trading are taken to operating profit; those arising on borrowings are classified as finance income or cost.

Foreign exchange rate movements arising on cashflow hedges are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.6 Turnover

Turnover is recognised when it is probable that economic benefits will flow to the Company and when they can be measured reliably. Turnover is measured at the fair value of consideration received or receivable.

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

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

2.7 Contract liabilities

Contract liabilities arise when the Company receives consideration, or when such consideration becomes due, from a customer before transferring the related goods or services in accordance with the terms of the contract. These balances represent the Company's obligations to deliver goods or services for which payment has been received or is receivable in advance.

Revenue is recognised as the Company satisfies the related performance obligations in accordance with IFRS 15.

Contract liabilities typically arise where billing milestones or deposits occur in advance of delivery, installation or service performance.

Contract liabilities are presented within Deferred revenue in creditors in the statement of financial position. Amounts expected to be recognised as revenue within twelve months from the reporting date are classified as current. Where performance of the related obligations is expected to occur more than twelve months after the reporting date, the associated balance is classified within amounts falling due after more than one year.

2.8 Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of:

- amounts recoverable from third parties; and
- expenditure incurred in respect of the development of major new products where the outcome of those projects are assessed as being probable as regards viability and technical feasibility.

Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that sales of the product are first made. Amortisation is charged straight line or based on the units produced, depending on the nature of the product and the availability of reliable estimates of production volumes.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Share-based payments

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

Smiths Group share option schemes

Long-Term Incentive Plan (LTIP).

The LTIP is a share plan under which an award over a capped number of shares will vest after the end of the three-year performance period if performance conditions are met. LTIP awards are made to selected senior executives, including the executive directors.

LTIP performance conditions

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

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

Smiths Group Sharesave Scheme (SAYE).

The SAYE scheme is an HM Revenue & Customs approved all employee savings related share option scheme which is open to all UK employees. Participants enter into a contract to save a fixed amount per month of up to £500 in aggregate for three or five years and are granted an option over shares at a fixed option price, set at a discount to market price at the date of invitation to participate. The number of shares is determined by the monthly amount saved and the bonus paid on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions

Range of exercise prices and remaining contractual life

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.10 Share-based payments (continued)

Options outstanding under LTIP schemes at 31 July 2025 have an exercise price of £0.00 (2024: £0.00), with a weighted average remaining contractual life of 1.5 years (2024: 1.5 years).

Options outstanding under SAYE schemes at 31 July 2025 had exercise prices between £11.63 and £14.21 (2024: £11.60 and £13.37), with a weighted average contractual life of 2.2 years (2024: 2.4 years).

Options were exercised on an irregular basis during the period. The average closing share price over the financial year was £19.00p (2024: £16.56p).

Cost of share-based payment arrangements

Included within staff costs is an expense arising from share-based payment transactions of £274,000 (2024: £209,000).

2.11 Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. The charge for taxation does not include any payments for group relief from companies in the UK tax group as entities transfer tax losses between themselves for no payment. The group relief received is presented as a reconciling item in the tax rate reconciliation, note 9.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Tax benefits are not recognised unless it is likely that the tax positions are sustainable. Once considered to be likely, tax benefits are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included in current tax liabilities, including any anticipated interest & penalties. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

2.12 Intangible assets

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

The estimated useful lives range as follows:

Development expenditure - up to 7 years
Computer software - up to 7 years
Patents and trademarks - up to 10 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at each year end.

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

2. Accounting policies (continued)

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 4% to 10%
Plant and machinery	- 10% to 20%
Motor vehicles	- 20% to 33%
Fixtures and fittings	- 10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date

Right of use assets are measured at commencement date at the amount of the corresponding lease liability and initial direct costs incurred. Right of use assets are depreciated over the shorter of the lease term and the useful life of the right of use assets, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term, in which case depreciation is charged over the useful life of the underlying asset. Right of use assets are subject to impairment.

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted by using either the rate implicit in the lease, or if not observable, the Group's incremental borrowing rate. Lease payments comprise contractual lease payments; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, and the amount expected to be payable under residual value guarantees.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

Assets under construction are not depreciated until such time as they are available for use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.14 Impairment of fixed assets

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

2.15 Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for any slow-moving, obsolete or defective inventories.

2.16 Debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected. Expected credit losses are determined using historical write-offs as a basis with a default risk multiplier applied to reflect country risk premium. The Company applies the IFRS 9 simplified lifetime expected credit loss approach for trade receivables and contract assets which do not contain a significant financing component.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less from the date of acquisition.

2.18 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.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

2. Accounting policies (continued)

2.19 Provisions for liabilities

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

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

2.20 Financial instruments

Classification

The Company classifies its financial assets as those to be measured at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs, unless carried at fair value through profit or loss. Transaction costs of financial assets carried at FVPL are expensed in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and other financial assets at amortised cost. The impact of change in impairment methodology on the Company's financial assets is immaterial. While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

2. Accounting policies (continued)

2.21 Changes in accounting policy and disclosures

Amendments to IAS 1, IFRS 16 and IAS 7/IFRS7 became effective during the year. The directors have assessed the impact of these amendments and confirm that they did not have a material effect on the company's financial statements for the year ended 31 July 2025. No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the financial statements for the year ended 31 July 2025.

SMITHS DETECTION - WATFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2025

3. Significant judgements, key assumptions and estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Actual results may differ from these estimates. The key estimates and assumptions used in these financial statements are set out below.

Useful economic lives of tangible and intangible assets

The annual depreciation charge for tangible assets and amortisation charge for intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets (note 2.12).

In respect of capitalised development costs, the estimated Net Present Value of future cash flows is calculated at least annually to assess whether any assets are impaired.

Stock provisions

The calculation of stock provisions requires management to estimate the expected value of future sales. If the carrying value of stock is higher than the expected recoverable value, the Company makes provisions writing stock down to its net recoverable value. Stock is initially assessed for impairment by comparing stock levels to recent utilisation rates and carrying values to recent purchase price or manufacturing cost. A detailed review is completed for stock lines identified in the initial assessment considering sales activity, order flow, customer contracts and current selling prices.

Warranty provisions

An obligation to replace or repair faulty products under the standard warranty terms is recognised as a provision. If the contract includes terms that either extend the warranty beyond the standard term or imply that maintenance is provided to keep the product working, these are service warranties and revenue is deferred to cover the performance obligation in an amount equivalent to the relative stand-alone selling price of that service.

The Company recalculates warranty provisions on a quarterly basis. The warranty provision covers assurance warranties, which represent the manufacturer's guarantee that the goods provided are fit for use.

The warranty provision is based on actual historical data. The actual repair costs incurred over the life of the product is compared to the number of warranted units passing through the service window. When sufficient historical information is not available, estimates are based on objective financial analysis and / or references gathered from other similar product lines supported by historical information.

The warranty provision is reviewed and approved by the appropriate responsible member of the local finance team on a regular basis, with detailed checks carried out for the half year and year end.

Debtors provisions

If the carrying value of any debtor is higher than the estimated fair value, the Company makes provisions writing down the balance to its fair value. The fair value of debtors is considered individually for each customer, incorporating the simplified lifetime expected credit loss approach based on past experience and progress with collecting debt.

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

4. Operating profit

The operating profit is stated after charging/(crediting)

	2025	2024
	£000	£000
Research & development charged as an expense	229	(48)
Depreciation of tangible fixed assets	2,952	2,502
Amortisation of intangible assets	3,499	217
Impairment of goodwill	-	3,072
Exchange losses/(gains)	(845)	(34)
Share based payments	274	209
Loss on disposal of tangible fixed assets	14	190

Administrative expenses decreased year on year primarily due to the absence of a goodwill impairment charge of £3.1m recognised in the prior year.

5. Auditor remuneration

	2025	2024
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's financial statements	210	206

There were no non-audit fees in financial years 2024 or 2025.

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2025	2024
	£000	£000
Wages and salaries	22,688	21,015
Social security costs	2,436	2,180
Pension costs	1,571	1,373
	<u>26,695</u>	<u>24,568</u>

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

	2025	2024
	No.	No.
Engineering	84	78
Production	218	210
Selling and distribution	31	30
Administration	18	16
	<u>351</u>	<u>334</u>

7. Directors' remuneration

	2025	2024
	£000	£000
Directors' emoluments	159	144
Company contributions to defined contribution pension schemes	15	15
	<u>174</u>	<u>159</u>

The directors provide services both to the Company and a number of other related Smiths Group plc entities. Aggregate emoluments represent the remuneration which is paid directly from the Company to the directors.

The Directors are part of the Smiths Group Plc 'Long Term Incentive Plan' and 'Save As You Earn' share option schemes and the value they derived from the exercise of the options at market value on the vesting date was £130k (2024: £80k)

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

8. Interest payable and similar expenses

	2025	2024
	£000	£000
Interest payable on loans from group undertakings	2,969	2,418
Interests on obligations under finance leases	107	83
Other	6	38
	<u>3,082</u>	<u>2,539</u>

9. Taxation

	2025	2024
	£000	£000
Corporation tax		
Current tax on profits for the year	222	301
Adjustments in respect of previous periods	15	(231)
Total current tax	<u>237</u>	<u>70</u>
Deferred tax		
Origination and reversal of timing differences	(8)	(28)
Taxation on profit on ordinary activities	<u>229</u>	<u>42</u>

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2024 - lower than) the standard rate of corporation tax in the UK of 25% (2024 - 25%). The differences are explained below:

	2025	2024
	£000	£000
Profit before taxation	3,303	762
Profit before taxation multiplied by standard rate of corporation tax in the UK of 25% (2024 - 25%)	826	190
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,297	932
Adjustments to tax charge in respect of prior periods	15	(231)
Research and development tax credit	150	250
Unrecognised temporary differences on fixed assets	(765)	128
Group relief received from other group companies for nil consideration	(2,286)	(1,199)
Deferred tax recognition adjustment	(8)	(28)
Total tax charge for the year	229	42

Factors that may affect future tax charges

At 31 July 2025 the Company had unrecognised tax assets of £6,068k (2024: £8,708k) with gross value of £24,272k (2024: £34,832k) relating to timing differences on fixed assets, calculated at 25% (2024: 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.

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

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

10. Intangible assets

	Patents £000	Development expenditure £000	Computer software £000	Total £000
Cost				
At 1 August 2024	1,809	41,914	622	44,345
Additions - internal	-	6	-	6
Disposals	-	(24,184)	-	(24,184)
At 31 July 2025	<u>1,809</u>	<u>17,736</u>	<u>622</u>	<u>20,167</u>
Amortisation				
At 1 August 2024	708	9,043	372	10,123
Charge for the year on owned assets	1,101	2,183	215	3,499
At 31 July 2025	<u>1,809</u>	<u>11,226</u>	<u>587</u>	<u>13,622</u>
Net book value				
At 31 July 2025	<u>-</u>	<u>6,510</u>	<u>35</u>	<u>6,545</u>
At 31 July 2024	<u>1,101</u>	<u>32,871</u>	<u>250</u>	<u>34,222</u>

Intangible asset amortisation of £1,102k (2024: £181k) is included in the cost of sales and £215k (2024: £36k) amortisation is included in administrative expenses in the profit and loss account.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Intellectual property ("IP") was transferred from Smiths Detection -Watford Limited ("SDWL") to Smiths Detection Germany GmbH ("SD DE"), effective from 1 August 2024 following the closure of the Newark site and reorganisation of technology responsibilities to Germany.

Assets were sold by SDWL to SD DE at cost.

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

11. Tangible fixed assets

	Leasehold property and improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 August 2024	13,981	6,492	2,831	2,271	25,575
Additions	106	1,059	630	513	2,308
Disposals of owned assets	-	(15)	-	-	(15)
Effect of movements in foreign exchange	9	-	38	-	47
At 31 July 2025	<u>14,096</u>	<u>7,536</u>	<u>3,499</u>	<u>2,784</u>	<u>27,915</u>
Depreciation					
At 1 August 2024	10,833	4,354	1,369	2,032	18,588
Charge for the year on owned assets	1,027	527	4	96	1,654
Charge for the year on right-of- use assets	652	6	641	-	1,299
Disposals of owned assets	-	(1)	-	-	(1)
Effect of movements in foreign exchange	5	-	26	-	31
At 31 July 2025	<u>12,517</u>	<u>4,886</u>	<u>2,040</u>	<u>2,128</u>	<u>21,571</u>
Net book value					
At 31 July 2025	<u>1,579</u>	<u>2,650</u>	<u>1,459</u>	<u>656</u>	<u>6,344</u>
At 31 July 2024	<u>3,148</u>	<u>2,138</u>	<u>1,462</u>	<u>239</u>	<u>6,987</u>

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

11. 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:

	2025 £000	2024 £000
Tangible fixed assets owned	4,528	4,640
Right-of-use tangible fixed assets	1,815	2,347
	6,343	6,987
	6,343	6,987

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

Net book value

	2025 £000	2024 £000
Leasehold property	342	884
Plant and machinery	21	-
Motor vehicles	1,452	1,463
	1,815	2,347
	1,815	2,347

Depreciation charge for the year ended

	2025 £000	2024 £000
Leasehold property	652	631
Plant and machinery	6	-
Motor vehicles	641	378
	1,299	1,009
	1,299	1,009

Additions to right of use assets

	2025 £000	2024 £000
Leasehold property	106	91
Motor vehicles	630	1,453
	736	1,544
	736	1,544

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Investments

	Listed investments £000
Cost or valuation	
At 1 August 2024	8
At 31 July 2025	<u>8</u>
Net book value	
At 31 July 2025	<u>8</u>
At 31 July 2024	<u>8</u>

Associate undertakings

The following were associate undertakings of the Company:

Name	Registered Office	Principal activity	Class of shares	Holding
Smiths Detection Saudi Arabia LLC	PO Box 59490, Postal Code 11525, Riyadh, Saudi Arabia, Registration number 1010334748	Servicing and maintenance of equipment	Ordinary	5%
Smiths Detection Technologies Egypt LLC	Cairo, Cornich El Nil, Ramlet Beaulac Nile City Building, North Tower, 22nd Floor, Arab Republic of Egypt	Servicing and maintenance of equipment	Ordinary	1%

5% of the total share capital of Smiths Detection Saudi Arabia LLC is held by the Company. The remaining 95% of share capital is held by Smiths Detection Group Limited.

1% of the total share capital of Smiths Detection Technologies Egypt LLC is held by the Company. The remaining 99% of share capital is held by Smiths Detection Group Limited.

In the opinion of the directors the value of the investments are not less than the aggregate amount at which they are shown in the Company's balance sheet.

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**NOTES TO THE FINANCIAL STATEMENTS
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13. Stock

	2025	2024
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	3,350	3,685
Work in progress (goods to be sold)	22,506	15,783
Finished goods and goods for resale	10,459	12,324
	36,315	31,792
	36,315	31,792

The Company consumed £109,668k (2024: £91,321k) of stock during the year. In the year to 31 July 2025 £857k (2024: £462k) was charged for the write down of stock and £318k (2024: £304k) was released from stock provisions no longer required.

At 31 July 2025, there were provisions of £2,182k (2024: £1,683k) against gross stock of £38,496k (2024: £33,475k).

14. Debtors

	2025	2024
	<i>£000</i>	<i>£000</i>
Due within one year		
Trade debtors	14,225	14,101
Amounts owed by group undertakings	31,259	7,218
Other debtors	2,677	2,436
Prepayments and accrued income	4,824	7,982
Deferred taxation	46	35
Financial instruments	37	-
Contract assets	18,160	21,998
	71,228	53,770
	71,228	53,770

All amounts owed by group undertakings are currently unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

	2025	2024
	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	4,230	2,787
	4,230	2,787
	4,230	2,787

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

16. Creditors: Amounts falling due within one year

	2025	<i>Restated</i>
	<i>£000</i>	<i>2024</i>
		<i>£000</i>
Trade creditors	6,712	6,425
Amounts owed to group undertakings	41,966	43,339
Contract liabilities	35,275	30,916
Accruals	15,186	10,612
Lease liabilities	995	1,152
Financial instruments	27	152
Taxation and social security	835	3,935
Other creditors	6,709	10,175
Corporation tax	736	-
	<u>108,441</u>	<u>106,706</u>

Amounts owed to group undertakings include £22,775k (2024: £31,408k) owed to the holding company, Smiths Detection Group Limited, which is repayable on demand or by 31 July 2027 at the latest. Interest is charged at LIBOR plus 3.0%. All other amounts owed to group undertakings are interest free and repayable on demand.

During the year, the Company identified a prior year adjustment in the classification of contract liabilities between those due within one year and those due after more than one year. An adjustment within the prior year balance sheet of £9,698k was made to reclassify contract liabilities from less than one year to greater than one year. This adjustment had no impact on the total contract liabilities recognised, nor did it affect the profit and loss account for the year. The correction ensures that the balance sheet appropriately reflects the maturity profile of contract liabilities in accordance with applicable accounting standards.

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

	2025	<i>Restated</i>
	<i>£000</i>	<i>2024</i>
		<i>£000</i>
Contract liabilities	13,547	22,023
Lease liabilities	845	1,217
Accruals	27	108
	<u>14,419</u>	<u>23,348</u>

SMITHS DETECTION - WATFORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

18. Financial instruments

	2025 £000	2024 £000
Financial assets		
Financial assets measured at fair value through profit or loss	4,230	2,787
Financial assets that are debt instruments measured at amortised cost	63,694	43,414
	67,924	46,201
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(27)	(152)
Financial liabilities measured at amortised cost	(63,771)	(60,405)
	(63,798)	(60,557)

19. Deferred tax asset

	2025 £000	2024 £000
At beginning of year	35	7
Credited to profit	11	28
At end of year	46	35

The deferred tax asset is made up as follows:

	2025 £000	2024 £000
Tax value of loss carry-forwards	46	35
	46	35

The total deferred tax movement for the year is £11k, of which £8k relates to the current year charge and £3k reflects the effect of foreign exchange movements on the opening deferred tax balance.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2025**

20. Other Provisions

	Warranty provision and product liability £000
At 1 August 2024	1,967
Charged to profit or loss	151
Utilised in year	(187)
Released in year	(1,170)
At 31 July 2025	<u><u>761</u></u>

Warranty provisions are made to cover the anticipated cost of repair or replacement of goods returned within the contractual warranty period which is generally one year, and other provision represents reorganisation costs.

21. Called up share capital

	2025 £000	2024 £000
Allotted, called up and fully paid		
76,771 (2024 - 76,771) Ordinary shares of £1.00 each	<u>77</u>	<u>77</u>

22. Employee share scheme

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

Cost of share based payment arrangements

Included within administrative expenses is an expense arising from share-based payment transactions of £274k (2024: £209k).

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**NOTES TO THE FINANCIAL STATEMENTS
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23. Contingent liabilities

Guarantees and performance bonds given by banks to third parties on behalf of the Company amounted to £28,651k (2024: £11,361k).

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

The Company is registered with H.M. Revenue and Customs as a member of the Smiths Group plc for VAT group purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by the group for unpaid VAT.

24. Capital commitments

Contracts of £nil (2024: £nil) were placed for future capital expenditure.

25. Pension commitments

The total expense recognised in the profit and loss account in respect of defined contribution pensions was £1,571k (2024: £1,373k) and at the end of the year £4k was outstanding (2024: £11k).

Historically, staff of the Company participated in the Smiths Industries Pension Scheme, which is a defined benefit pension plan based in the UK. With effect from 1st January 2006, employees of the Company who were members of this scheme became employees of the ultimate parent company, Smiths Group plc, and now perform their services under contract from that Company. The pension schemes were closed with effect from 31 October 2009.

The assets of the Smiths Industries Pension Scheme are held in a separate trustee-administered fund and the pensions costs are assessed in accordance with the advice of independent, professionally-qualified actuaries. Further details of these pension plans, the actuarial assumptions used and the latest actuarial valuations can be found on page 158 of the consolidated financial statements of Smiths Group plc for the year ended 31 July 2025.

The pension contribution made by the Company in respect of the defined benefit pension plan was £nil (2024: £nil). In 2025 the Company does not expect to make any payments in respect of the defined benefit pension plan.

26. Controlling party

For the year ended 31 July 2025, the Company was a wholly owned subsidiary of Smiths Detection Group Limited.

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Smiths Group plc 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, Level 10, 255 Blackfriars Road, London, SE1 9AX.