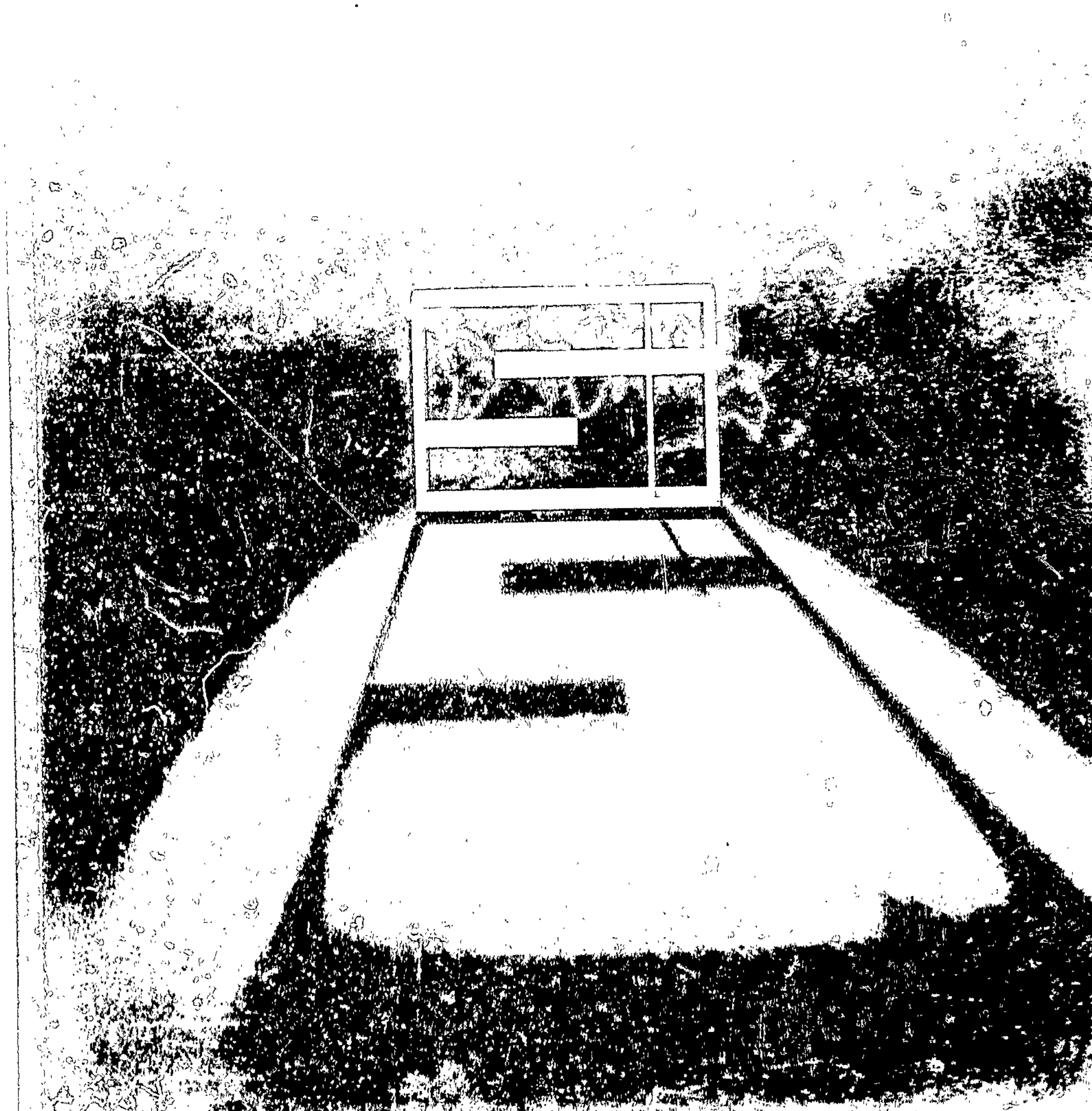

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SMITHS INDUSTRIES PUBLIC LIMITED COMPANY

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SMITHS INDUSTRIES PUBLIC LIMITED COMPANY

BOARD OF DIRECTORS

Sir Alex Jarratt
Chairman

F. Roger Hurn
Chief Executive & Managing Director

David L. Breeden

Sir James Hamilton

Sir Barrie Heath

Alan K. Hornsby
Financial Director

The Earl Jellicoe

George M. Kennedy
Chairman, Medical Systems Group

Sir John Lidbury

A. Hugh Pope
Chairman, Aerospace & Defence Group

Sir Roy Sisson

William F. Sykes
Chairman, Industrial Group

John W. Thompson
Deputy Managing Director

PRESIDENT

Ralph Gordon-Smith

SECRETARY

Roy Tulip

AUDITORS

Clark Whitehill

REGISTRAR

Lloyds Bank Plc, Registrar's Department
Transfer Office: Goring-by-Sea, Worthing, West Sussex BN12 6DA

Registered Office: 765 Finchley Road, London NW11 8DS
Incorporated in England No. [illegible]

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-first Annual General Meeting of Smiths Industries Public Limited Company will be held at 765 Finchley Road, London NW11 8DS on Tuesday, 17 December 1985 at 12.00 noon for the following purposes:—

Ordinary Business

1 To adopt the reports of the directors and the auditors and the audited accounts for the fifty two weeks ended 3 August 1985.

2 To declare a final dividend on the ordinary shares.

3 To re-elect the following directors:

Mr G M Kennedy
Mr A H Pope
Sir James Hamilton

4 To re-appoint Clark Whitehill as auditors to the Company.

5 To authorise the directors to fix the remuneration of the auditors.

Special Business

6 To consider and, if thought fit, pass the following special resolution:

That the authority to allot equity securities under the provisions of sections 89 and 95 of the Companies Act 1985, granted to the directors by special resolution passed by the Company in general meeting on 18 December 1984 for a period of twelve months therefrom, be and is hereby renewed, in respect of a maximum of five per cent of the present authorised share capital of the Company for a further period of twelve months from the date of this resolution.

7 To consider and, if thought fit, pass the following special resolution:

That the Articles of Association be altered by amending Article 76 to read as follows:

76 Any Director other than a Director who is appointed an executive director in accordance with Article 80 shall be entitled under this Article to be paid a fee in a year at a rate not exceeding £10,000 per annum or such greater rate as the Company may by Special Resolution either generally or in a particular case determine.

By Order of the Board
R Tulip, Secretary

22 November 1985
London NW11 8DS

Notes:

1 A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member. Proxy Forms must be deposited not later than 48 hours before the Meeting to be effective. In the case of a corporation, the appointment of a proxy must be made either under its common seal or by a duly authorised officer or attorney. In the case of joint holders, the vote of the first named on the register will be accepted to the exclusion of other joint holders.

2 A copy of the contract of service of each director of the Company with the Company or any of its subsidiaries will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and Public Holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting on 17 December 1985.

3 Subject to the final dividend for 1985 being approved at the Annual General Meeting, warrants will be payable on 2 January 1986 to the ordinary shareholders on the register at the close of business on 5 December 1985.

4 The market values of shares and stocks on 6 April 1965 for the purposes of capital gains tax were:

Ordinary Shares (written up to 50p from 25p on 8 December 1965 and written down to 25p on 14 January 1985)	20p
£1 Cumulative Preference Shares (Cancelled and replaced by 6% Irredeemable Second Debenture which in turn was cancelled and replaced by 60p nominal of 11¼% Debenture Stock 1995/2000 on 11 July 1975)	71p
7½% (formerly 6%) Debenture Stock 1983/88	87½p

5 Although copies of the Annual Report are distributed to share, stock and option holders, only ordinary shareholders, or their proxies, are entitled to attend and vote at the Meeting.

6 The Company is not a close company.

SALIENT POINTS FROM THE ACCOUNTS

1984		1985
£388.7m	Turnover: Total	£383.0m
£316.0m	: Continuing Businesses	£371.4m
£36.2m	Profit before tax	£47.6m
£173.7m	Funds employed	£154.2m
£20.1m	Net borrowings	—
—	Net cash	£6.0m
10.2p	Earnings per share	12.9p
	Ratios	
10.1%	Trading Profit: to Turnover	12.8%
22.6%	: to Funds employed	31.7%
11.6%	Gearing (Note)	—
2.9	Dividend cover	2.8

Numbers employed at year end

8,400	United Kingdom	8,600
2,800	Overseas	2,400

Note: Represents net borrowings as a percentage of funds employed.

CHAIRMAN'S STATEMENT

Shareholders will be aware that my appointment as Chairman coincided with the end of the financial year to which these Accounts relate. Although, therefore, I now write to you from that Office, the results for the period under review were achieved by the Company under the Chairmanship of my predecessor, Sir Roy Sisson.

There can be few more fitting tributes to Sir Roy than these results. They, and the general good health of the Company which made them possible, owe much to his vision and guidance. He will be missed by the many who have worked with him, perhaps above all for the warmth and liveliness of his personality. In both senior management positions and more recently as Chairman, he never lost the "common touch" – the ability to win respect and affection at all levels of the Company.

Immediately following the Annual General Meeting Sir Roy and Sir John Lidbury have indicated their wish to retire from the Board. During the year Mr. W. A. Mallinson, who was Vice-Chairman, retired, and Mr. J. D. Birkin resigned due to added commitment on his appointment as Deputy Chairman and Chief Executive of the Rio Tinto-Zinc Corporation. I know the shareholders would wish to join me in thanking them for their distinguished service and invaluable contributions. We wish Sir Roy, Sir John and Mr. Mallinson a long and happy retirement and Mr. Birkin every success. Meanwhile, we welcome Sir James Hamilton who joined the Board as a non-executive director in 1985.

After a period of transition, the Company has emerged strong and firmly based with good businesses in a variety of growth areas. The accelerating trend of profitability and earnings reflected in the first six months' results continued through to the year-end with all principal Groups showing notable gains. Performance so far this year shows yet further improvement. I take over as Chairman, therefore, at a time of high expectations – expectations which will be a great challenge for us all. I am confident that under the professional and vigorous leadership of Roger Hurn, the Chief Executive, and his management team, the Company is well placed to meet them.

Alex Jarratt

Sir Alex Jarratt
Chairman

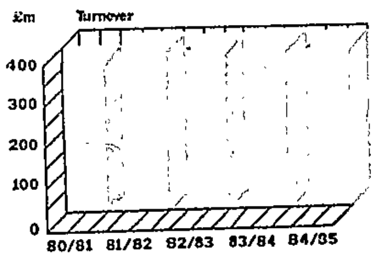
ANALYSES OF TURNOVER AND PROFIT

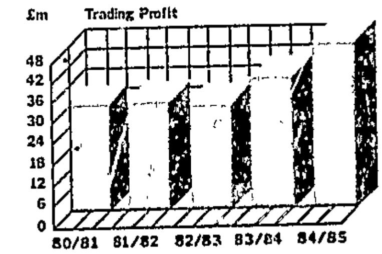
Market Analysis	Turnover 1985	Turnover 1984	Trading Profit 1985	Trading Profit 1984
	£000	£000	£000	£000
Aerospace & Defence	146,500	128,050	17,450	13,327
Medical Systems	73,350	59,300	14,897	12,091
Industrial	125,500	99,150	14,147	10,236
Australia	26,050	29,450	2,055	2,291
	371,400	**315,950**	**48,549**	**37,945**
Discontinued Businesses	11,600	72,700	332	1,275
	383,000	**388,650**	**48,881**	**39,220**

Geographical Analysis	1985	1984	1985	1984
	£000	£000	£000	£000
United Kingdom	238,400	200,600	29,391	22,794
Overseas				
North America	105,800	83,450	15,740	12,146
US dollars	*(144,946)*	*(110,989)*	*(21,564)*	*(16,154)*
Australia	28,050	29,700	2,232	2,340
Australian dollars	*(53,575)*	*(46,629)*	*(4,263)*	*(3,674)*
Others	11,150	10,150	1,186	665
Inter-company	−12,000	−7,950	—	—
	371,400	**315,950**	**48,549**	**37,945**

Turnover Analysis	1985	1984
	%	%
Turnover for use in UK	38	40
Direct Exports	24	21
Net additional turnover from Overseas subsidiaries	38	39
	100	**100**

CHIEF EXECUTIVE'S REVIEW





1985 was another year of substantial progress with profits up by 32%. The benefits of the redirection of the main thrust of our activities show clearly in the results of all our principal on-going businesses.

The review of the activities of our operating groups in the following pages gives a clear indication of their potential for continuing the growth achieved in recent years. We shall maintain our policy of supplementing this growth with appropriate and carefully considered acquisitions.

Sales were £383m and net profit before tax was £47.6m as compared with £389m and £36.2m respectively in the 1984 53 week year. Sales of those businesses continuing into 1985/86 were £371m (1984 £316m) and increased by 18%. The analysis of results opposite illustrates the strong performance from all operating groups. The Aerospace & Defence Group maintained the high level of private venture research and development spend of recent years and a number of important contracts have been won. The improved results of the Medical Systems Group came principally from the UK and Europe and included a first full year's contribution from Downs Surgical which was well up to our expectations at the time of acquisition in March 1984. Most businesses in the Industrial Group contributed to their second year of significant profits growth. During the year, withdrawal from the supply of original equipment to the motor industry world-wide was completed by the sale by our Australian company of its majority holding in SIDK Pty Ltd and the sale of all our South African interests. The remaining activities in Australia improved their results in local currency terms, but translation into sterling was affected by the sharp fall in the value of the Australian dollar during the latter part of the year. Good cash performances in the UK, USA and Australia are reflected in the reduction in the interest charge. Earnings per share at 12.9p increased by 26%.

A feature of the year's activity has been another excellent performance by our North American activities. All three operating groups have significant North American interests and in each case the profit contribution increased. The Aerospace & Defence Group had its best ever year, becoming increasingly recognised as an on-shore supplier of both civil and military equipment. The medical activities did well to improve their results against a background of a market adjusting to the new methods of reimbursements to hospitals under USA Government Medicare programmes. Our long standing policy of converting the results of overseas companies at period-end rates has been maintained and results would have been £800,000 higher had exchange rates remained constant.

Direct exports from the UK increased by 17% and account for over 40% of UK turnover.

In view of the trading difficulties being experienced by Lucas Electrical Electronics & Systems Ltd, the value placed on our investment has been written down to a nominal amount and this is reflected under the extraordinary items heading. Lucas Electrical Electronics & Systems Ltd is the company in which we have a 19.9% equity holding following the sale of our vehicle instrument equipment businesses to that company in May 1983.

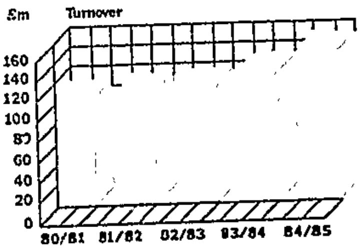
The Source and Disposition of Funds Statement on page 36 illustrates another year of substantial cash generation which was sufficient to eliminate or offset all borrowings by the year end. The cash contribution from normal trading was achieved after a record level of investment in fixed assets. In general, working capital ratios were little changed.

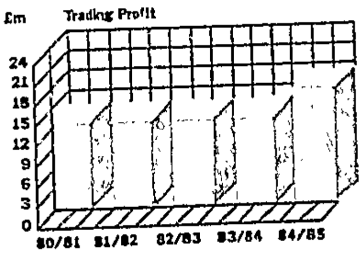
The Company moves into 1985/86 in a strong trading and financial position, and we confidently look forward to another year of significant progress.

Roger Hurn
Chief Executive & Managing Director

AT THE LEADING EDGE OF AEROSPACE AND DEFENCE TECHNOLOGY

The Aerospace & Defence Group produces a wide range of high technology systems and equipment, such as flight and engine control and management systems, airborne computers, weapon aiming systems, electronic and electro-mechanical displays, fuel gauging equipment, data transmission systems, marine radar and navigation and plotting systems. Other products include hydrographic and fishing echo sounders, position-fixing equipment, radios, charts, navigational instruments and custom microcircuits.





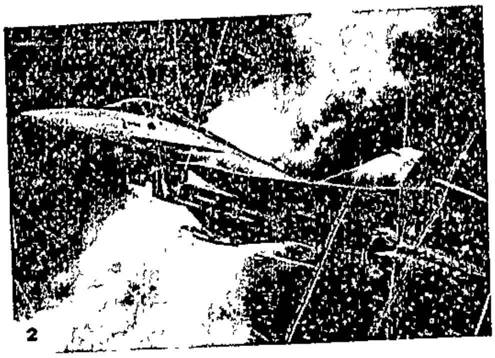
- Smiths Industries Aerospace & Defence Systems Ltd
- Smiths Industries Aerospace & Defense Systems Inc (USA)
- Micro Circuit Engineering Ltd
- Kevin Hughes Ltd

The upturn in the civil aviation industry worldwide assisted the Group in achieving an improved performance. Profitability was particularly enhanced by the good results of both our North American companies and by higher UK exports.

Our instrument and control systems are well represented on most Airbus and Boeing aircraft which, together with our involvement with BAe and Fokker on their civil aircraft programmes, provides a fair balance to our military work. Principal military programmes are on the Tornado, Harrier, Hawk and Jaguar aircraft. 1985 was a year of some notable contract successes with implications for the longer term.

Contracts have been received, in collaboration with Agusta SpA of Italy, for the automatic flight control system for the EH 101 Anglo/Italian helicopter. The aircraft is due to enter service with the Royal Navy and the Italian Navy in the early 1990's. The EH 101 is also aimed at civil and general utility operations, including oil exploration work.

Fuel quantity indicator systems business remains buoyant with the award of the Fokker F100 system following that for the F50 reported last year coupled with recent marketing successes for these aircraft. New business has also been won on the Airbus Industrie A320. A contract to retrofit some of the F4 Phantom aircraft in service in the USA with latest technology equipment has been received, making a notable first for a fully locally developed and manufactured USA military contract.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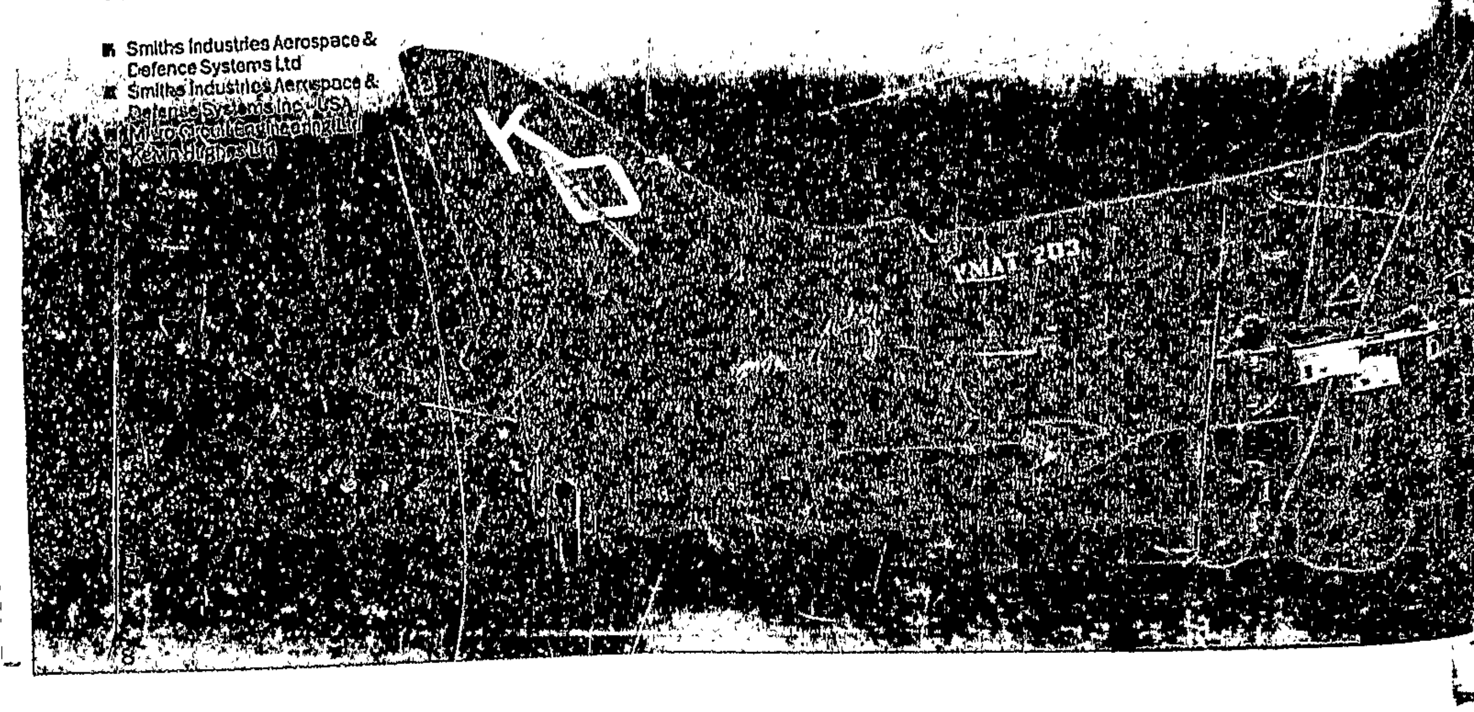
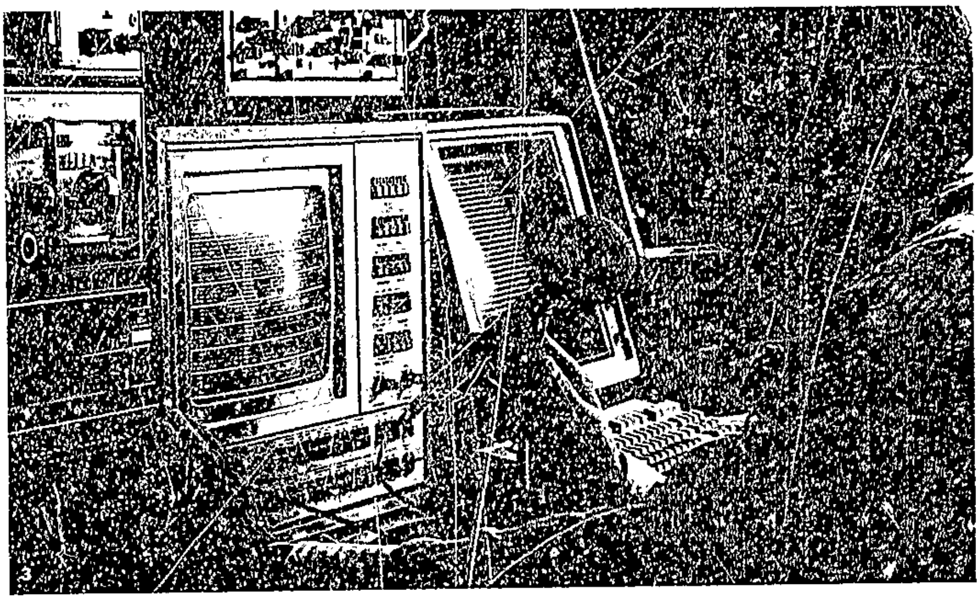
A major success has been a contract from McDonnell Douglas Corporation to cover the full scale development of the multi-purpose colour display suite in the AV8B Harrier for the US Marine Corps. This new generation of colour displays in military aircraft is being designed to be suitable for other aircraft, as well as for the future build of existing aircraft such as the F18 fighter.

In partnership with BAe, new systems and equipment have been developed for the British experimental aircraft (EAP) currently being built at BAe Wharton, and due to fly in 1986. The announcement of agreement between the governments of the UK, Germany, Italy and Spain to start a project definition for the new European Fighter Aircraft, currently known as EFA, has been welcomed by the aerospace industry. This aircraft will use a number of the technologies which have been developed for the British EAP.

Development of advanced cockpit equipment for the BAe Hawk continues with good prospects for export sales.





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Kelvin Hughes Ltd, which joined the Aerospace & Defence Group at the beginning of the trading year, improved its profitability. The company is continuing to develop its defence business. A contract has been awarded by the Royal Navy for the supply of the latest range of navigational radar. First deliveries to the Royal Navy have also commenced against a £10m order for the ships navigation and plotting system (SNAPS). Both these orders provide a sound basis for future export sales and an opportunity to broaden the range of naval activities. New and more sophisticated equipment has been introduced to meet the needs of the merchant shipping market, although demand from this sector remains low.

Micro Circuit Engineering Ltd designs and assembles large scale integrated circuits for commercial, military and medical applications. It has its own proprietary gate arrays as well as carrying out full-custom and semi-custom designs. The company expects to further the improvement in its results apparent during the year.

The high level of investment within the group, particularly in new and enabling technologies, is to continue. This, together with the business won during the year and a maintained order book, confirms our confidence in the group's ability further to improve its position in the increasingly competitive and demanding aerospace and defence industries.

1 The Harrier II, AV8B, flies with an SI Head Up Display, as well as SI engine thermocouples and flight instrumentation. McDonnell Douglas has now awarded a contract to SI for the development of a multi-purpose colour display for the night attack version of the aircraft.
2 The European Fighter Aircraft project will involve SI in close collaboration with the various partners, and provide a basis for continuation of advanced work in high technology areas.
3 Research and Development of direct voice input, using continuously connected speech. Pilots of the future will have vocal command over many functions on the flight deck.
4 The SI Automatic Flight Control System, chosen for the Anglo-Italian EH 101 helicopter, is an essential aid to Navy pilots in reducing pilot workload.
5 The new navigational radar system Type 1007, designed and manufactured by Kelvin Hughes, has been selected by the Ministry of Defence as the Royal Navy's standard navigational radar.

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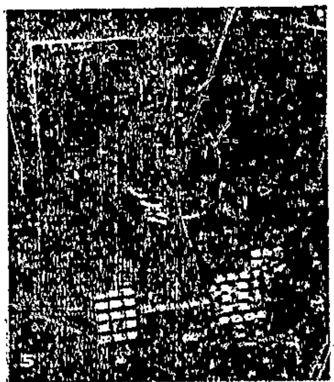

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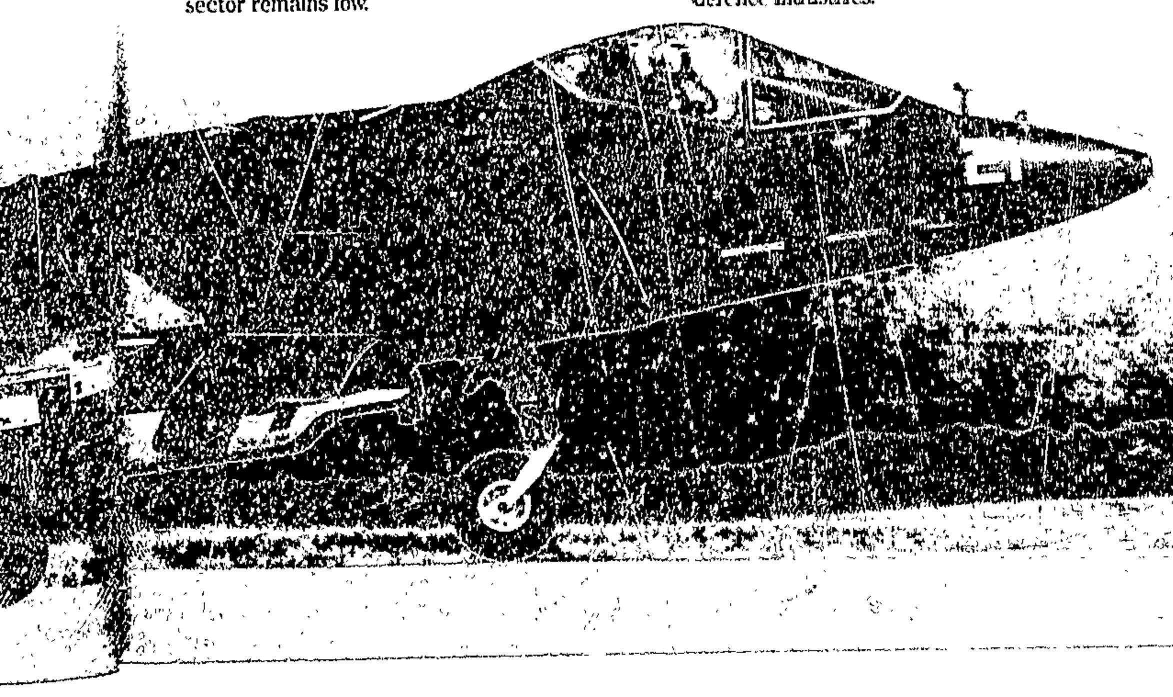
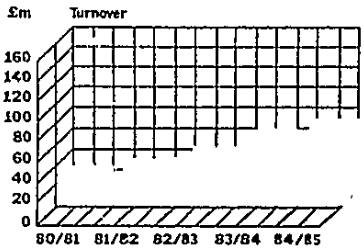
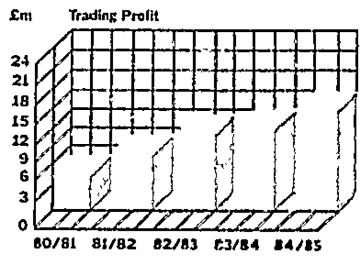


TOTAL HEALTH CARE CONCEPTS

The Medical Systems Group manufactures and supplies, throughout the world, single-use devices used principally in anaesthesia, intensive care, respiratory therapy, urology and stomacare; and a range of specialised surgical instruments and implants.

The Group also produces a range of autoclaves which are extensively used in both medicine and dentistry, as well as sophisticated electro-mechanical equipment for use in operating theatres.





- Concord Laboratories Inc – USA
- Concord Laboratories Ltd
- Downs Surgical Ltd
- Downs Surgical (Australia) Pty Ltd
- Eschmann Bros & Walsh Ltd
- Grosvenor Surgical Supplies Ltd
- Laboratoire Lejeune, Seitz & Ameline SA–France
- Laboratoire Portex SA–France
- Portex Inc–USA
- Portex Ltd
- SIMS Canada Ltd
- SIMS Inc–USA
- Surgical Equipment Supplies Ltd

Smiths Industries Medical Systems (SIMS) Group is achieving a growing level of international success through its well established companies in the UK, North America and France, and its highly regarded range of specialised, high specification products serving world-wide export markets. These create a firm foundation upon which further profitable growth can be built.

The group continued its expansion during 1985 with an increase in profits of 23%. SIMS derives more than half its earnings from overseas companies and exports a high proportion of its UK manufactured products.

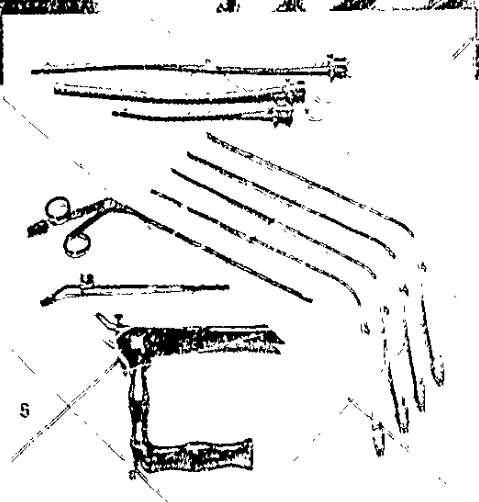
In the UK, Portex Ltd had another good year, with strong performances in all market sectors. Earlier product introductions in thoracic drainage and epidural analgesia built up momentum, while the company's leading position in plastic disposables was maintained despite competitive pressures. New products with increasing levels of sophistication marketed during the year include Mini-Trach, a less traumatic technique for aspirating retained fluids in patients' lungs, and Trophocan, a device for detecting foetal abnormalities in the early stages of pregnancy.

Concord Laboratories Ltd made further profitable progress in its second full year of operation with sales based upon arterial blood gas analysis kits, an increasing proportion being manufactured in the UK. The product range is being extended for European markets. Surgical Equipment Supplies Ltd also surpassed last year's performance benefiting from a revived demand from the NHS and a successful launch of the Little Sister 2 portable autoclave.

The post-acquisition reorganisation of Downs Surgical Ltd is now largely complete and the marketing image has been sharpened. The extensive product range has been rationalised and, after a satisfactory year, the company is set for growth in 1986.

A particular feature of the results for the year was the exceptional performance of the French companies, Laboratoire Portex SA and Laboratoire Lejeune Seitz & Ameline SA. Following greater stability in French markets, both companies were able to raise their contributions, Portex substantially so despite the lower level of North African business.

North American profits increased both in dollar and in sterling terms. The USA market has been particularly difficult with the impact of the Diagnostic Related Group (fixed price) method of reimbursement to hospitals under government and private health schemes. By the year end there were some signs of a return to more settled, but more competitive, trading conditions. A new company, SIMS Inc, has been formed and, reflecting the potential for further expansion that exists in the west of the USA, a SIMS Western Region trading operation has been established since the year end to consolidate the efforts of Portex and Concord in this area. Similarly, the acquisition of Downs Canada has provided the opportunity to amalgamate appropriate aspects of the operation with the expanding Canadian subsidiary of Portex Inc. The new company, trading as SIMS Canada Ltd, will also administer the small but growing sales of Concord products throughout that country.



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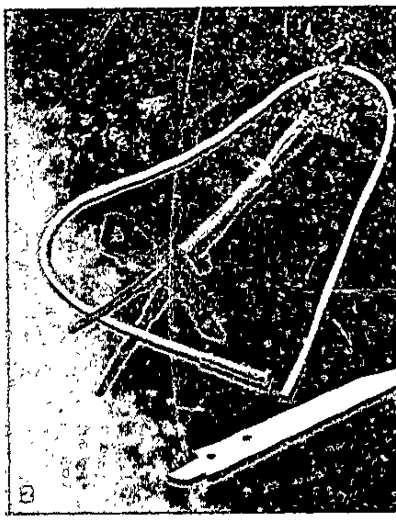
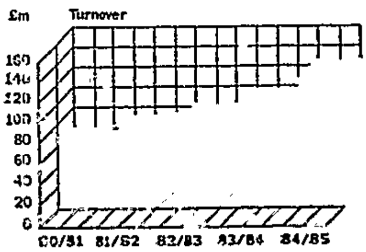
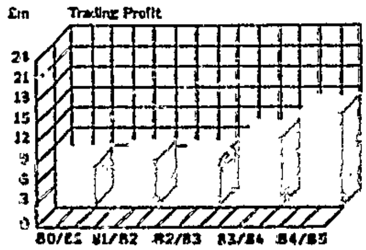
4 Respiratory care items from the ... and Cor... range are widely ... where high quality of the product is particularly essential.
5 Downs Surgical has developed with leading surgeons a range of instruments specifically designed for endolaryngeal laser surgery. These are the first British laser instruments to be designed to help simplify the surgical use of the Carbon Dioxide Laser.



PROVIDING SPECIALIST PRODUCTS AND SERVICES TO INDUSTRY

The Industrial Group supplies a wide range of products and services to industry, which include the manufacture of technical ceramics and ceramic plant and machinery, connectors, environmental controls, measurement systems, tubing and industrial rubber products. It also distributes marine radar, echo sounders and position-fixing equipment, principally in North America, for the small boat market.





Ceramics – alumina ceramics, ignition products, spark plug manufacturing plant, isostatic presses.
- Lodge Ceramics Ltd
- SIMAC Ltd

Connectors – multi-pin electronic connectors.
- Hypertac Ltd
- SI Industries Inc – USA
- The Aero Electric Connector Co Inc – USA

Environmental Control – laminar flow clean air systems, time switches, central heating controls, air moving equipment.
- Integrated Air Systems Inc – USA
- Sifan Systems Ltd
- Smiths Industries Environmental Controls Co Ltd

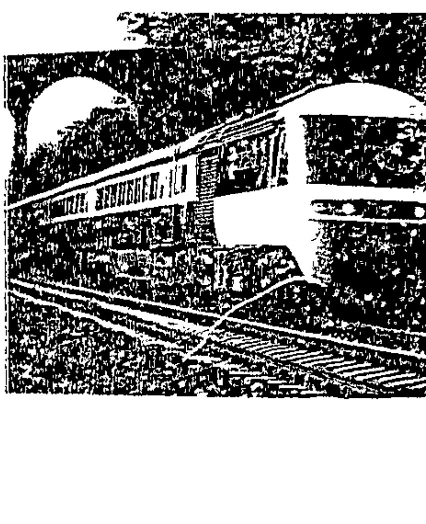
Measurement & Control Systems – electronic contents measuring equipment, hydraulic equipment.
- Contents Measuring Systems Ltd
- Smiths Industries Hydraulics Co Ltd

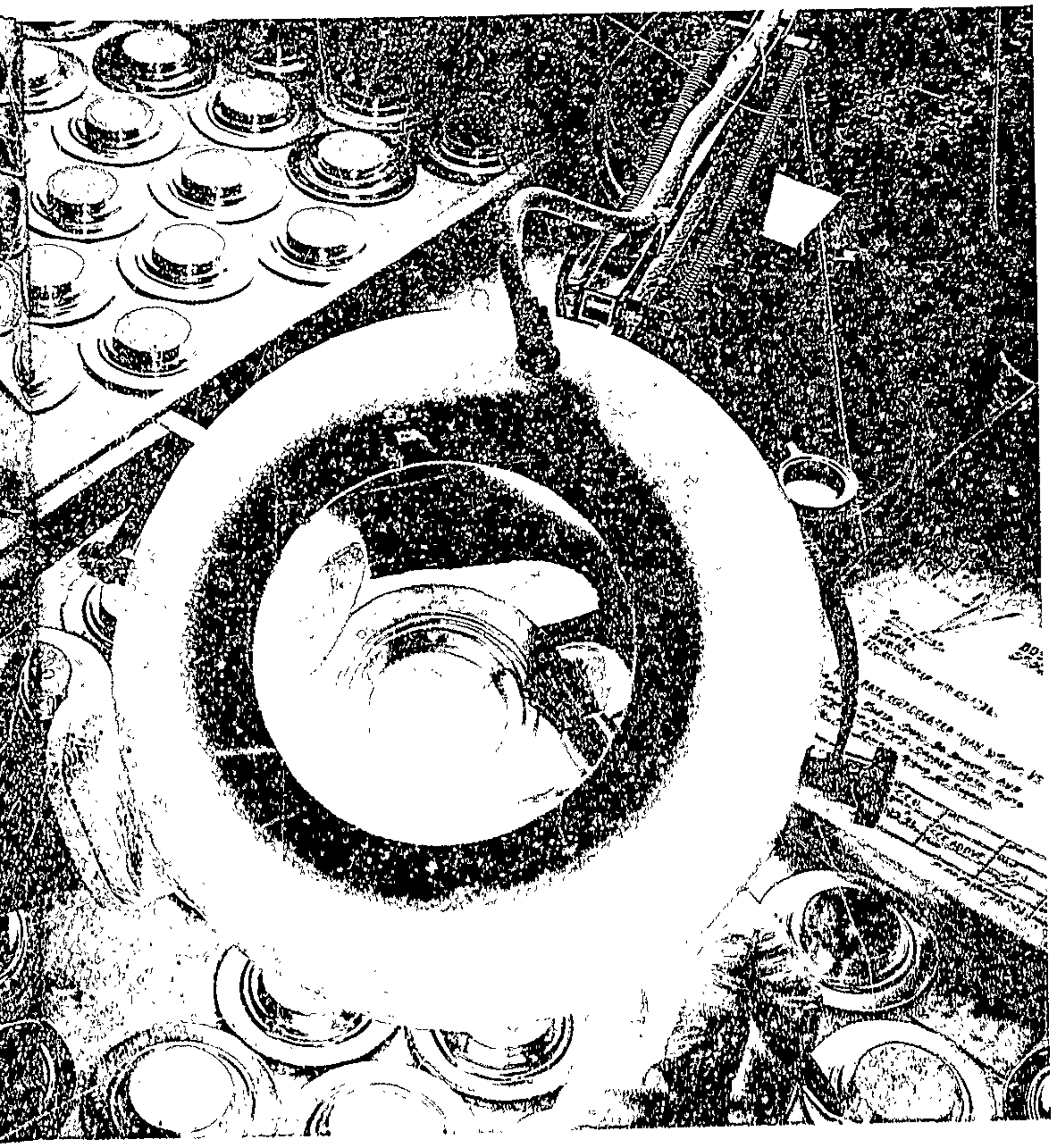
The Industrial Group again showed substantial advances in both turnover and profit. Most of the businesses under this heading contributed to the improvement. Icore International Ltd, the principal company within the Superflexit Group acquired in September 1984, achieved results ahead of expectations.

Ceramics: Lodge Ceramics Ltd maintained the progress of the previous year and produced a substantial increase in profits with improved margins. Commissioning of the new facility for metallised ceramic assemblies for the electronics industry was completed, with an encouraging level of orders from existing and new customers. Exports increased sharply. The Spark Plug and Machinery Company, now renamed SIMAC Ltd, had a good year with much improved profits and confirmation of a strong order book for delivery in future years. During the year equipment was supplied to USA, China, Japan and other overseas markets. The company was relocated in the Rugby area to provide expanded production and development facilities for expected further growth. Significant penetration of the market for high speed presses for the production of ceramic tubes for the sodium vapour lamp industry was achieved.

Connectors: In the UK profits continued at a high level, although somewhat lower than those of the previous year largely as a result of a reduced demand for military applications. New products have been introduced to broaden the customer base and the range of applications. Similar considerations led to the acquisition of The Aero Electric Connector Co Inc in the USA in September 1984, since when there has been considerable further investment in manufacturing facilities and tooling that should ensure future growth.

Environmental Controls: Turnover increases were achieved by all the companies under this heading, although in the UK margins were generally lower. Integrated Air Systems Inc began the year with a high order book, which was reflected in markedly higher sales and profits. In contrast to the revival in demand from the semi-conductor industry at the end of last year, 1985 was a year of sporadic but generally lower order intake. The UK companies continued to develop their product ranges and expect to resume profits growth in 1986.





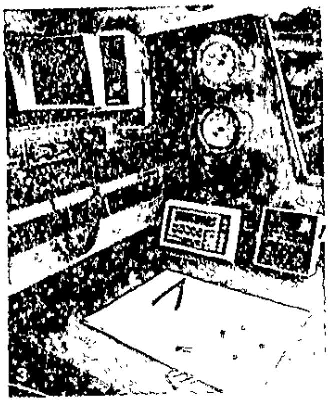
Tubing & Building Supplies – Flexible and pliable pressure hoses, conduits and ducting manufactured from rubber, metal and plastic; roof covering material and fittings; special rubber sheeting and mouldings.
- Flexible Ducting Ltd
- Fliteline Ltd
- Icore International Ltd
- Icore International Inc
- MacLellan Rubber Ltd
- Uni-Tubes Ltd
- Uniroof Ltd
- Unitex Ltd

Marine Electronics – distribution of small boat radar, echo sounders and position-fixing equipment
- SI-Tex Marine Electronics Inc - USA

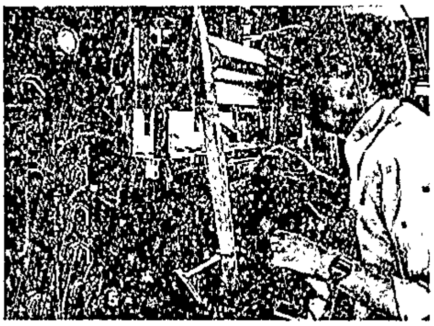
Bearings & Seals – distribution of bearings, seals and power transmission products.
- Mecro Ltd

Information Technology – digital data information handling systems.
- Xionics Ltd

Others
- Cam Profiles Ltd
- Hefac Engineering Ltd



1 Lodge Ceramics Ltd is expert in the techniques of metallising ceramic components which are supplied to the power electronics industry for use in electronic switching devices.
2 Hypertac connectors fulfil a vital role in the electronics control equipment used for anti skid protection on High Speed Trains.
3 SI-Tex Marine Electronics Inc is the leading North American supplier of radar, echo sounders and direction finders for sports boats.
4 Sifan Systems Ltd is the prime supplier of air moving components for UK warm air hand driers, and is also a manufacturer of complete appliances.

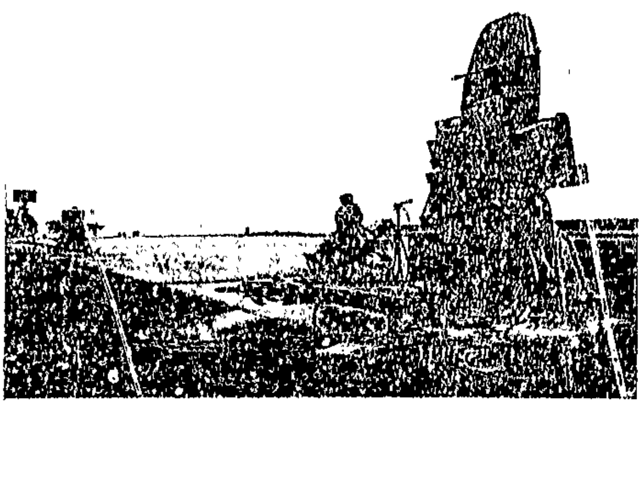


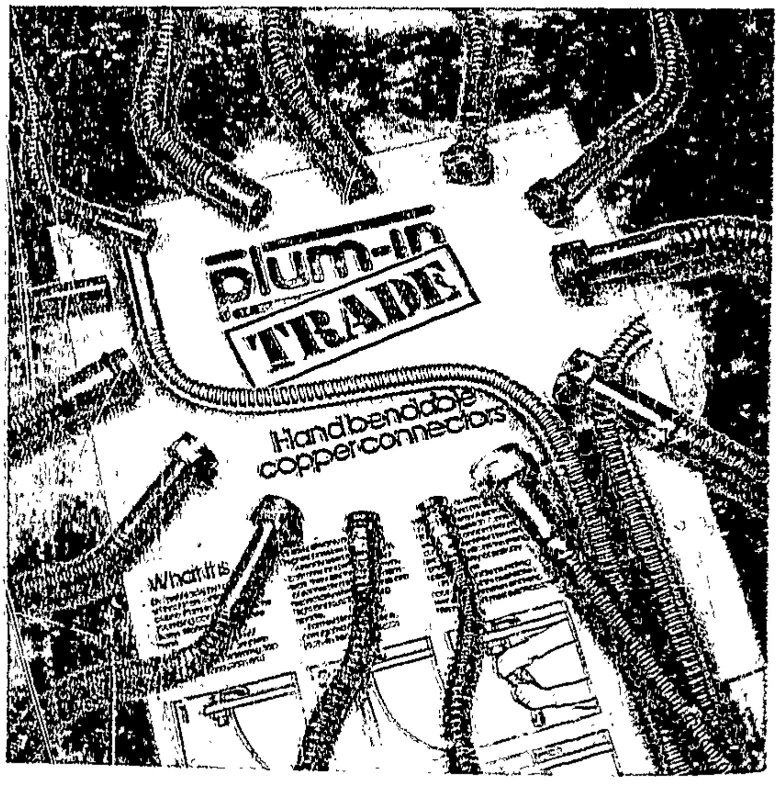
5 SIMAC Ltd has established an international market for Densomatic press grinders, used to compress powdered materials for products such as lamp tubes, spark plug insulators and other industrial components.
6 Icore interconnect systems are widely used in the defence industry, where the integrity of the product is of paramount importance, such as on this Rapier missile tracking equipment.
7 The range of plumbing accessories marketed by Uni-Tubes Ltd includes these pliable copper connectors. Such items are proving increasingly popular with DIY enthusiasts, and the Trade.

Marine Electronics: SI-Tex Marine Electronics Inc, based in Florida, supplies the small boat market with a range of sophisticated but inexpensive position fixing systems,radar, radio and fish-finding equipment. Competition continues to increase at the lower end of the range but the introduction of new models enabled the company to hold its market share and consolidate its position of technology leader. The market trend towards more compact lower cost equipment continues but the company, with an updated range of products, should maintain the good performance of recent years.

Tubing & Building Supplies: Uni-Tubes Ltd. again achieved record results, maintaining its position in its main market of non-rigid conduit and couplings, while further penetrating the DIY plumbing market. Fliteline also enjoyed a successful year. Particular attention has been given to the development of export markets, and the company now has contracts for the supply of landing gear harnesses to the USA aerospace industry and of hose for the European motor industry. The Icore companies specialise in electrical conduit systems of a technically more complex nature than Uni-Tubes and performed well in the post-acquisition period, with profits considerably higher than in the corresponding pre-acquisition period. MacLellan Rubber and its related subsidiaries improved their profitability – particularly Flexible Ducting following the reconstruction completed last year. A three wire current-carrying hose has been developed with considerable future potential. Unitex, a small privately owned company producing polyurethane rubber products for specialised applications, was acquired in January 1985, and is proving to be a worthwhile investment with good profit ratios and growth prospects.

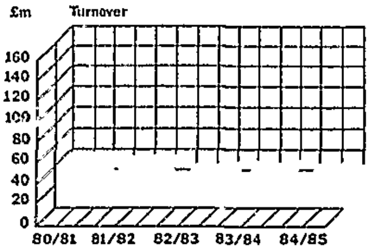
Other Industrial: Mecro Ltd. had a better year, achieving a significant reduction in operating costs by the consolidation of UK warehousing in Sheffield. Trading margins improved, together with a further good cash contribution. Xionics continues to demonstrate considerable innovative flair to users and potential users of large networking systems both in the UK and in the USA. However it is likely to be some time before sales reach an adequate level to cover the scale of development and marketing costs necessary to establish a business in this relatively new field. The Hydraulics Company had a better year with improved profits. Cam Profiles, acquired as part of the Superflexit Group, designs and manufacturers special purpose cams for industrial applications and is a small but useful profit contributor.

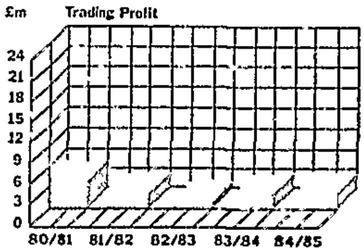




AUSTRALIA

The main businesses in Australia are the distribution of furniture fittings and the manufacture of vinyl-wrapped drawers, the manufacture of door fittings and locks, and the supply of aerospace instruments and systems.



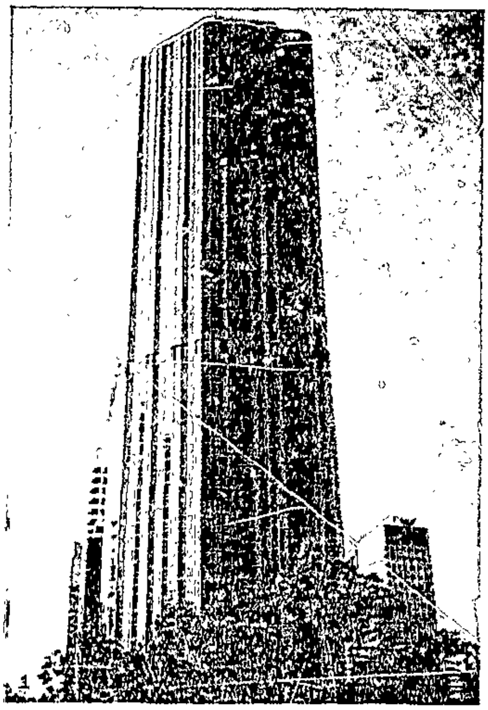


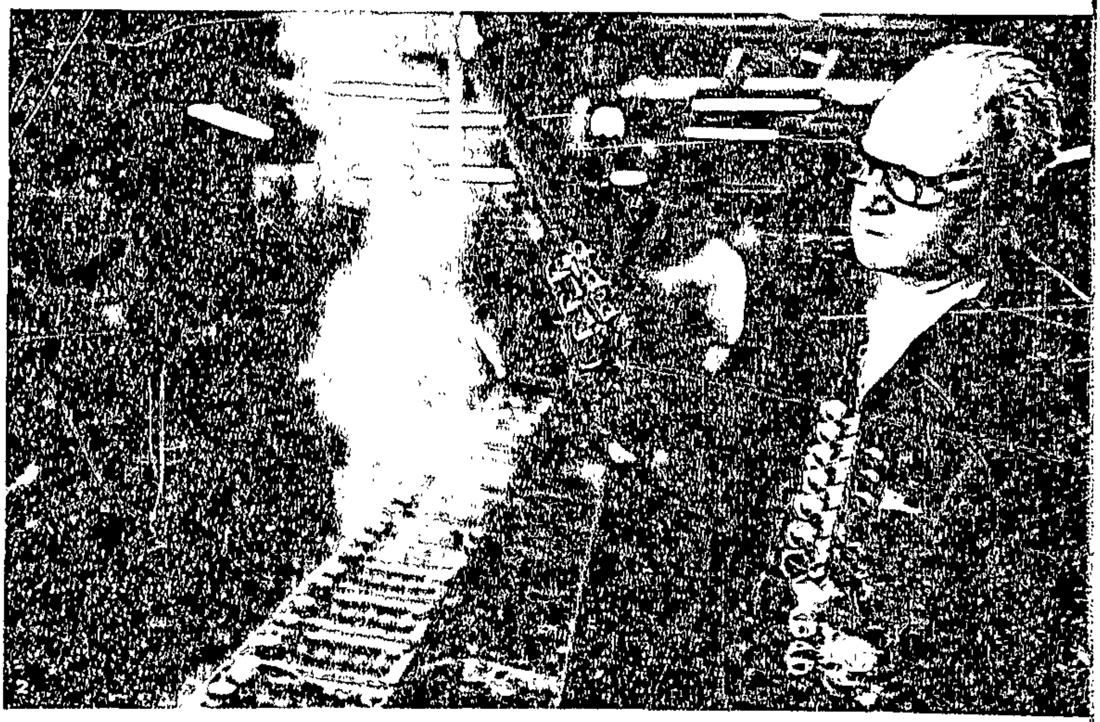
- Smiths Industries Pty Ltd
- Efco Mfg. Pty Ltd
- Smiths Industries NZ Ltd

The sale of the majority shareholding in SIDK Pty Ltd to the minority shareholder, Diesel Kiki of Japan, was completed in March 1985 at a price in excess of asset value. For the remaining businesses, the year ended on a buoyant note. Sales and profits in local currency were well ahead of the previous year. The major decline in the international value of the Australian dollar improved the competitiveness of manufactured products while imported product ranges were little affected as there is limited locally manufactured competition. The company has been a significant cash contributor over recent years and ended 1985 with positive cash balances after the repayment of a $A4m loan.

The major businesses are Furnco and Efco. Furnco's principal activities are as an importer of cabinet hardware and manufacturer of drawers supplied to furniture manufacturers and to a lesser extent to the retail and DIY markets. Profitability improved, as compared with the previous year, although the return on funds employed remains too low. Efco supplies principally the industrial/commercial building market with a wide range of door furniture, including locks, mainly of its own manufacture. The company maintained its steady growth and profits were well in advance of the previous year. After the year-end, Newman-Tonks Pty Ltd was acquired from its UK parent to supplement the Efco range of door closers and provide other new products.

Results of the other activities were generally satisfactory.





1 The prestigious Australian Mutual Provident Building in Brisbane, equipped with Efco mortise locks and brass fittings.
2 Efco architectural hardware is widely used by architects in Australia when specifying locks, door sets and associated items. Here a foundryman at the company's Arncliffe factory inspects doorlocks straight from the mould.

THE SENIOR MANAGEMENT OF SMITHS INDUSTRIES

Executive Directors

F. R. Hurn
Chief Executive & Managing Director

A. K. Hornsby
Financial Director

G. M. Kennedy
Chairman, Medical Systems Group

A. H. Pope
Chairman, Aerospace & Defence Group

W. F. Sykes
Chairman, Industrial Group

J. W. Thompson
Deputy Managing Director

Secretary

R. Tulip

Associate Directors

E. G. Jones, Personnel
G. F. Mortimer, Economic Adviser
A. Smith, Deputy Secretary & Solicitor
M. Wenzerul, Accounting
R. Williams, Financial Controller

Corporate Staff Directors

R. C. Albrecht, Finance & Administration, Smiths Industries Inc. USA
S. Bagnold, Public Relations
N. M. Bennet, Insurance
A. E. Cantelo, Treasurer
A. Colman, Procurement
J. A. Holloway, Press & PR Services
C. A. Lark, Property
G. G. H. Martin, International Operations
C. G. Miles, Taxation Adviser
F. Smith, Controller - Witney/Rugby
F. N. White, Computer Services & Telecommunications
P. A. Wilby, Corporate Accountant

AEROSPACE & DEFENCE GROUP

A. H. Pope, Chairman
C. H. Eldridge, Director & Group Controller
M. E. Melton, Vice President Government Liaison (USA)

Smiths Industries Aerospace & Defence Systems Ltd

A. L. Blackman, Director, Marketing Co-ordination
R. J. Harman, Managing Director, Basingstoke/Putney
G. S. M. Hedrick, President, Smiths Industries Aerospace & Defense Systems Inc. - USA
A. M. M. Hodges, Managing Director, Product Support
J. L. Hollington, Technical Director
C. J. E. Hosegood, Director, Future Projects
J. H. Sykes, Deputy Managing Director, Cheltenham

Flight Displays & Integrated Systems - Cheltenham

J. H. Sykes, Deputy Managing Director
C. H. B. Barden, Marketing Development Director
R. F. Burrows, Director & General Manager - Flight Systems
M. G. Henley, Operations Director, Weapons Systems
W. J. Parker, Director & General Manager - Integrated Systems
R. Quayle, Production Director
J. W. Scott, Operations Director - Flight Deck Displays
A. G. Studd, Quality Director
M. Townsend, Director & Financial Controller
E. G. Wiseman, Director & Chief Accountant

Engine, Fuel Control & Ignition Systems - Basingstoke/Putney

R. J. Harman, Managing Director
V. Daniel, Director & Chief Accountant - Basingstoke
D. M. Griffiths, Engineering Director - Basingstoke
G. Tonnison, Marketing Director - Basingstoke
K. G. McAinsh, Director & General Manager - Putney

Product Support

A. M. M. Hodges, Managing Director
J. B. Johns, Director & Chief Accountant
I. P. L. Newton, Product Support Director

Smiths Industries Aerospace & Defense Systems Inc - USA

G. S. M. Hedrick, President

Civil Systems - Malvern PA

D. L. Clark, Vice President & General Manager
P. D. Corsaro, Treasurer

Military Systems - Clearwater FL

W. F. Talley, Vice President & General Manager
D. J. Drake, Controller

Kelvin Hughes Ltd

A. R. Stevenson, Managing Director
A. J. Eldret, Production Director
M. S. Green, Director & Chief Accountant
K. B. Jones, Director, Charts & Maritime Supplies
Dr M. H. Jones, Technical Director
D. J. Parsons, Product Support Director
J. Pedre, Marketing Director
G. R. Smith, Administration Director

Micro Circuit Engineering Ltd

E. S. Eccles, Director & General Manager

Contents Measuring Systems Ltd

T. E. Giles, Product Manager

Integrated Air Systems Inc - USA

W. Brooks, Executive Vice President & General Manager
D. Lloyd, Vice President, Engineering
T. Wright, Vice President, Sales & Marketing
T. Pickett, Vice President, Finance

MEDICAL SYSTEMS GROUP

G. M. Kennedy, Chairman
E. Lindh, Director & Group Controller
W. F. Watson, Scientific Director
B. Muddell, Director, Business Development

UK & EUROPE MEDICAL COMPANIES

A. Easton, Managing Director
T. Curry, Director & Chief Accountant
R. S. Morgan, Group Marketing Director

Portex Ltd

R. H. Dodgson, Engineering Director
J. N. H. Rice, Marketing Director
P. T. Brand, Technical Director

Concord Laboratories Ltd

N. D. Green, Director & General Manager

Laboratoire Portex SA - France

P. Brewaeys, Production Director
P. Dhuyvettere, Sales Manager

SURGICAL COMPANIES

R. L. Blackman, Managing Director
C. A. McWhirter, Chief Accountant

Downs Surgical Ltd

R. V. Driesen, Operations Director
G. W. Down, Technical Director
F. Elson, Sales & Marketing Director
R. S. Phelps, Director
D. Townsend-Smith, Procurement Director

Downs Surgical (Australia) Pty Ltd

R. Wright, Managing Director

Surgical Equipment Supplies Ltd

E. Beakhouse, Director & General Manager
D. Dalchow, Service Director
R. A. Morton, Works Director
W. A. Sprigings, Sales & Marketing Director
W. F. Watson, Production Manager

DISTRIBUTION COMPANIES

Grosvenor Surgical Supplies Ltd

C. R. Jackson, Director & General Manager
B. R. Jones, Director

Laboratoire Lejeune, Seitz & Ameline SA - France

Y. Seitz, President
D. Roosters, Marketing Director
J. J. Billy, Controller

SIMS – NORTH AMERICA
J. C. Ilg, President
R. Congdon, Vice President & Controller

Concord Laboratories Inc – USA
G. Schneider, President
J. J. Bourke, Vice President & Controller
J. P. Gulbin, Vice President, Sales
F. Singleton, Vice President, Operations

Portex Inc – USA
A. F. Staley, President
R. F. Roscoe, Vice President, Marketing
F. Willis, Vice President, Manufacturing

SIMS Inc (Western Region) – USA
J. Gilhooly, Executive Vice President

Downs Surgical Inc – USA
J. D. Cribb, President

SIMS Canada Ltd
W. H. Higgins, President
R. W. Davison, Vice President, Sales
A. Coombes, Vice President, Administration

INDUSTRIAL GROUP
W. F. Sykes, Chairman
B. E. Gooding, Director & Group Controller
S. K. Pocock, Director & Deputy Controller

CONNECTOR COMPANIES
R. C. Ellis, Managing Director

Hypertac Ltd
R. F. S. Dennett, Director & General Manager
R. T. Grace, Operations Director
D. A. Rush, Technical Director
M. J. Whelan, Sales Director
D. J. Waterhouse, Director & Chief Accountant

The Aero-Electric Connector Co. Inc. – USA
J. E. Schnepf, President

SI Industries Inc – USA
J. Gorman, Vice President & General Manager

RUBBER & PLASTIC COMPANIES
A. Graham, Managing Director
J. M. Anderson, Director & Chief Accountant

MacLellan Rubber Ltd
T. R. Murray, Director & General Manager
A. Haddow, Sales Director
D. A. M. Todd, Production Director

Automated Engineering Products Ltd
L. H. MacInnes, Managing Director

Flexible Ducting Ltd
J. S. Murray, Managing Director
H. Forbes, Technical Manager
K. A. F. Ellison, Manufacturing Manager
D. B. McLeod, Chief Accountant
D. A. S. Marr, General Sales Manager

Medcraft Bros Ltd
P. J. Medcraft, Managing Director
K. R. Hall, Sales Director

Uniroof Ltd
D. W. Addison, Managing Director
F. G. Dunley, Operations Director
[illegible] uscher, General Marketing & Sales Director
B. J. Grainger, Chief Accountant

Unitex Ltd
A. Fotheringham, Managing Director

SI-Tex Marine Electronics Inc – USA
T. L. Hansford, President
D. R. Church, Director of Marketing
C. G. Nelson, Chief Accountant

Smiths Industries Environmental Controls Co Ltd
J. L. Crone, Chairman
W. G. A. Brittain, Managing Director
B. G. Alexander, Production & Engineering Director
K. Street, Chief Accountant

Sifan Systems Ltd
D. J. Carew-Gibson, Managing Director
V. F. Cannons, Sales Director
T. Hynes, Engineering Director
R. E. Quartermain, Director & Chief Accountant

Hefac Engineering Ltd
G. V. Lee, Director & General Manager

Smiths Industries Hydraulics Co Ltd
M. J. Wallace, Managing Director
R. E. Quartermain, Director & Chief Accountant

Cam Profiles Ltd
A. Lawrence, Managing Director

SPECIALIST CONDUIT COMPANIES
A. J. Weeden, Managing Director

Uni-Tubes Ltd
N. C. H. Mason, Director & General Manager
J. Bell, Director & Chief Accountant
A. Clark, Sales Director
M. J. Mundy, Chief Engineer
A. Todd, Works Manager

Fliteline Ltd
K. J. S. Paterson, Managing Director
B. A. Henderson, Sales Director

Flexschlauch Produktions GmbH
J. Evert, Director & General Manager

Icore International Ltd
R. E. Butler, Sales Director
R. Young, Production Director
R. Bellinger, Director
J. Hofer, Director & Chief Accountant

Icore International Inc – USA
J. C. Robinson, President
R. S. Pearson, Vice President, Finance

Siflex Industries Pte Ltd
P. S. H. Ho, Director & General Manager

Lodge Ceramics Ltd
D. R. Legg, Managing Director
J. K. Hendy, Manufacturing Director
P. G. T. Jones, Sales Director
Dr K. M. Nutter, Technical Director
M. H. Rhodes, Director & Chief Accountant

Mecro Ltd
T. J. Markham, Managing Director
T. J. Cook, Director & Chief Accountant
M. L. R. Lunnon, Director
J. Dickinson, Sales Operations Director – South
J. T. Sheard, Sales Operations Director – North

SIMAC Ltd
T. W. Leader, Managing Director
B. K. Allen, Engineering & Manufacturing Director
D. J. Johnson, Contracts Director
J. R. Perry, Technical Director
M. G. Quarterman, Director & Chief Accountant

Xionics Ltd
M. J. Bevan, Managing Director
P. Dickinson, Operations Director
I S Richardson, Technical Director

AUSTRALIA

Smiths Industries Australia Pty Ltd
J. D. Haig, Managing Director
D. M. Clemson, Financial Director
P. J. Cummins, General Manager, Building Products Division
M. R. Materia, General Manager, Technical Sales Division

FINANCIAL REPORT
FOR 52 WEEKS ENDED 3 AUGUST 1985

DIRECTORS' REPORT

The directors present their report for the 52 week period ended 3 August 1985.

Principal activities

The Company is principally engaged in the development and manufacture of a wide range of control systems and instrumentation for the aerospace and marine industries and for general industrial applications; health-care products and surgical instruments; industrial ceramics; ceramic and spark plug machinery; electronic connectors; environmental controls; measurement systems; tubing and rubber products; and office automation. The main countries in which the Company operates are the UK, USA and Australia.

The organisation and management structure of the businesses within the three major international groups of Aerospace & Defence; Medical Systems; and Industrial, together with the Australian and other subsidiary companies is set out on pages 16 and 17.

Results and dividends

The results for the 52 weeks ended 3 August 1985 are set out in the Consolidated Profit and Loss Account on page 24. Sales for the year were £383.0m, against £388.7m last year. The profit for the year, after taxation and minority interests, amounted to £27.5m (1984 £21.3m).

An interim dividend of 1.5p per ordinary share of 25p was paid on 14 June 1985. The directors recommend for payment on 2 January 1986 a final dividend on each ordinary share of the Company of 3.0p, making a total dividend of 4.5p for the year.

The retained profit of £11.9m was transferred to the Reserves.

Research and development

The amount spent on research and development during the financial year totalled £40m. Each business carries out research and development programmes to suit its own particular market and product needs. Interchange of technology and technical information between businesses in the manufacturing sector is centrally co-ordinated.

Changes in Company Interests during the period.

On 4 October 1984 the Company sold its Danish subsidiary, Simonsen & Nielsen A/S, for a cash consideration of approximately £1.3m.

In September 1984 the Company agreed to acquire the whole of the issued share capital of Superflexit Group Limited, a company involved in the manufacture of industrial tubing and electronic connectors in the UK and the USA. The consideration for the acquisition comprised 996,369 ordinary shares of 50p and the payment of £1.0m in cash.

The sale, for £4.6m, of the former Headquarters and factory site, in North West London, was completed on 3 January 1985.

On 25 January 1985 the Company acquired all the issued share capital of Unitex Limited, a manufacturer of polythene and plastic products, for a cash consideration of £2.1m.

On 31 January 1985 the Company sold Overseas Cars Limited for £150,000.

On 4 March 1985 Smiths Industries Pty Limited sold its 60% interest in the Australian company SIDK Pty Limited to its Japanese partner, Diesel Kiki Company Limited, for £1.8m in cash.

On 1 May 1985 the management of Autosound Limited bought its shares for a nominal consideration and agreed to repay its indebtedness to the Company of £350,000.

On 3 August 1985 Metair Investments Limited bought the issued share capital of Smiths Industries (Pty) Limited in South Africa for a nominal consideration and repaid to the Company a loan of 2.2m Rand.

Post Balance Sheet Events

On 20 September 1985 Smiths Industries Australia Pty Limited bought Newman-Tonks Pty Limited, an Australian manufacturer of door fittings, for a cash consideration of A$1.8m.

On 11 October 1985 the Company bought the issued share capital of Eschmann Bros. & Walsh Limited, a manufacturer of medical products, for a nominal consideration and agreed to repay to its parent company a loan of £5m.

Future developments
The Company will pursue its existing international activities and continue to seek business opportunities in new product areas in both the UK and overseas.

Fixed assets
The changes in tangible fixed assets in the year are detailed in Note 11 to the accounts.

Freehold and Long Leasehold properties were professionally valued as at 4 August 1984. This showed a surplus over book values of £17m.

Charitable and political donations
During the year the Company made donations of £31,897 for charitable purposes. Political donations given during the year amounted to £7,500 to the Conservative Party.

Directors
The names of the persons who were directors at the end of the financial year are listed on page 35. Mr J. D. Birkin resigned as a director at the conclusion of the Annual General Meeting on 18 December 1984. Sir James Hamilton was appointed on 1 March 1985. Mr W. A. Mallinson retired from office on 12 June 1985. On 5 August 1985, Sir Roy Sisson relinquished Chairmanship of the Company and Sir Alex Jarratt was appointed in his stead. Sir Roy will remain on the Board as a non-executive director until the conclusion of the Annual General Meeting on 17 December 1985.

Re-election of directors
The directors retiring by rotation under Article 82 and offering themselves for re-election are as follows:

Mr George MacDonald Kennedy (executive) aged 45; appointed to the Board on 1 May 1983;

Mr Austin Hugh Pope (executive) aged 60; appointed to the Board on 1 May 1983.

Sir James Hamilton, who was appointed to the Board on 1 March 1985, will retire from office in accordance with Article 88 and, being eligible, offers himself for re-election.

Sir Roy Sisson and Sir John Lidbury have announced that they will retire from office at the conclusion of the Meeting and will not be offering themselves for re-election.

Directors' service contracts
Mr A. K. Hornsby has a service contract with the Company which is subject to termination by twelve months' notice, given to expire on or after 31 August 1987 and Mr W. F. Sykes has a service contract which is subject to termination by twelve months' notice, given to expire on 11 April 1988. Mr J. W. Thompson has a service contract which expires on 30 June 1988 and Mr A. H. Pope's service contract expires on 25 October 1988.

Mr F. R. Hurn and Mr G. M. Kennedy have service contracts with the Company which are subject to termination by three years' notice, given to expire at any time.

With the exception of these service contracts no director had a beneficial interest in any contract to which the Company or any of its subsidiaries was a party during the year.

Interests in shares
As at 1 November 1985, no disclosure had been made to the Company of any interest of 5% or more in the issued share capital of the Company.

Personnel policies
The declared policy of the Company for the provision of equal opportunity employment practices remains in force and extends to the fullest consideration of employment prospects for the disabled.

The Company continues to be actively involved in all aspects of the training and development of young persons, including government sponsored schemes and unit initiatives designed to ease the transition from school to work.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	52 weeks ended 3 August 1985 £000	53 weeks ended 4 August 1984 £000
Turnover	1	383,000	388,650
Cost of sales		238,984	252,216
Gross profit		144,016	136,434
Operating expenses	2	95,135	97,214
Trading profit	3	48,881	39,220
Interest	4	1,305	3,060
Profit on ordinary activities before taxation		47,576	36,160
Taxation on profit on ordinary activities	7	20,000	14,703
Profit on ordinary activities after taxation		27,576	21,457
Minority interests		72	201
Profit before extraordinary items		27,504	21,256
Extraordinary items less taxation	8	5,947	2,500
Profit attributable to members of the holding company		21,557	18,756
Dividends	9	9,671	7,347
Retained profit for year		11,886	11,409

Movement on Profit and Loss Account		
At 5 August 1984	87,021	88,316
Retained profit for year	11,886	11,409
Goodwill on consolidation written off	–6,046	–2,871
Transfer to deferred taxation	—	–9,906
Transfer from revaluation reserve	—	199
Other items	–99	–132
At 3 August 1985	92,762	87,021

	Note		
Earnings per share	10	12.9p	10.2p

Notes on pages 26 to 35 form part of these accounts

BALANCE SHEETS

Company 3 August 1985 £000	Company 4 August 1984 £000		Note	Consolidated 3 August 1985 £000	Consolidated 4 August 1984 £000
		Fixed assets			
21,817	20,792	Tangible assets	11	69,622	69,779
102,273	116,087	Investments and advances	12	1,274	12,177
124,090	136,879			70,896	81,956
		Current assets			
38,611	38,216	Stocks	14	96,039	95,608
32,649	37,458	Debtors	15	78,478	79,521
22,035	180	Cash at bank and in hand		28,129	9,711
93,295	75,854			202,646	184,840
−43,824	−49,967	**Creditors:** amounts falling due within one year	16	−86,353	−90,204
49,471	25,887	**Net current assets**		116,293	94,636
173,561	**162,766**	**Total assets less current liabilities**		**187,189**	**176,592**
−11,721	−10,832	**Creditors:** amounts falling due after more than one year	16	−16,531	−15,897
−9,898	−6,405	**Provisions for liabilities and charges**	17	−10,411	−7,091
151,942	**145,529**	**Net assets**		**160,247**	**153,604**
		Capital and reserves			
53,729	26,240	Called up share capital	18	53,729	26,240
426	21,294	Share premium account	19	426	21,294
2,128	2,275	Revaluation reserve	19	7,627	9,850
2,802	2,864	Other reserves	19	5,703	8,175
92,857	92,856	Profit and loss account	19	92,762	87,021
151,942	145,529	**Shareholders' funds**		160,247	152,580
—	—	**Minority interests**		—	1,024
151,942	**145,529**			**160,247**	**153,604**

The accounts on pages 23 to 36 were approved by the board of directors on 13 November 1985 and were signed on its behalf by:

1 Analysis of turnover and profit on ordinary activities before taxation

	Turnover 1985	Turnover 1984	Profit 1985	Profit 1984
	£000	£000	£000	£000
Market Analysis				
Aerospace & Defence	146,500	128,050	17,450	13,327
Medical Systems	73,350	59,300	14,897	12,091
Industrial	125,500	99,150	14,147	10,236
Australia	26,050	29,450	2,055	2,291
	371,400	**315,950**	**48,549**	**37,945**
Discontinued businesses	11,600	72,700	332	1,275
	383,000	**388,650**	48,881	39,220
Interest			–1,305	–3,060
			47,576	**36,160**
Geographical Analysis				
United Kingdom	238,400	200,600	29,391	22,794
Overseas:				
North America	105,800	83,450	15,740	12,146
Australia	28,050	29,700	2,232	2,340
Others	11,150	10,150	1,186	665
Inter-company	–12,000	–7,950	—	—
	371,400	**315,950**	**48,549**	**37,945**

2 Operating expenses

	1985	1984
	£000	£000
Distribution costs	37,064	43,674
Administrative expenses	58,071	53,540
	95,135	**97,214**

3 Trading profit is after charging

	1985	1984
Depreciation of fixed assets—Purchased	8,343	8,608
—Leased	1,305	1,369
Hire of plant and equipment	360	393
Emoluments of Directors:		
Fees	29	22
Other emoluments	473	379
Auditors remuneration	637	605

4 Interest

	1985	1984
	£000	£000
Payable:		
On bank loans, overdrafts and other loans:		
Repayable within 5 years	1,945	2,332
Repayable in more than 5 years	778	1,048
On lease finance	84	285
	2,807	3,665
Receivable	1,502	605
	1,305	**3,060**

5 Employees

Staff costs during the year:		
Wages and salaries	110,415	110,493
Social Security	8,204	9,025
Company pension contributions	6,448	6,689
	125,067	**126,207**

	1985	1984
The average number of persons employed in continuing businesses was:		
Aerospace & Defence	5,237	5,184
Medical Systems	2,076	1,730
Industrial	2,849	2,639
Australia	579	584
	10,741	**10,137**

6 Directors and UK Employees

Chairman £30,000 (1984 £30,000)

Highest paid director: £91,200 (1984 £80,500)

Other directors: £60,001 – £65,000	1	—
£55,001 – £60,000	3	1
£50,001 – £55,000	2	2
£45,001 – £50,000	—	2
£ 5,001 – £10,000	5	5
£ Nil – £ 5,000	2	1
UK employees: £45,001 – £50,000	1	—
£40,001 – £45,000	—	1
£35,001 – £40,000	6	1
£30,001 – £35,000	12	10

NOTES TO THE ACCOUNTS
CONTINUED

7 Taxation

	1985	1984
	£000	£000
Taxation on the profit for the year:		
UK corporation tax at 43⅓%	11,851	6,654
Deferred taxation	640	2,697
Overseas taxation	7,814	5,593
Double taxation relief	–305	–241
	20,000	**14,703**

The 1984 tax charge was reduced by stock relief of £1.2m.

8 Extraordinary items

	1985	1984
Provision against unlisted investments less surplus on sale of related property	4,863	—
Loss on sale of businesses	2,521	5,735
Factory re-organisation expenses and closure costs	—	359
Purchase and cancellation of 7½% Debenture stock	—	–154
	7,384	5,940
UK corporation tax	1,437	3,440
	5,947	**2,500**

9 Dividends

	1985	1984
Ordinary interim paid 1.5p per share (1984 1.1875p)	3,223	2,492
Ordinary final proposed 3.0p per share (1984 2.3125p)	6,448	4,855
	9,671	**7,347**

10 Earnings per share

Earnings after taxation of £27.5m (1984 £21.3m) are related to the average number of shares in issue of 213,917,553 (1984 209,408,444).

11 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
Consolidated	£000	£000	£000	£000
Cost or valuation				
At 5 August 1984	39,886	29,709	40,156	109,751
Exchange adjustments	–845	–1,421	–935	–3,201
Additions	2,426	3,487	8,917	14,830
Acquisition/disposal of subsidiaries	–2,753	472	–704	–2,985
Disposals	–780	–963	–4,366	–6,109
At 3 August 1985	37,934	31,284	43,068	112,286
Depreciation				
At 5 August 1984	3,878	17,258	18,836	39,972
Exchange adjustments	–85	–676	–597	–1,358
Acquisition/disposal of subsidiaries	34	422	–1,117	–661
Charge for year	762	2,842	6,044	9,648
Eliminated on disposals	–1,024	–813	–3,100	–4,937
At 3 August 1985	3,565	19,033	20,066	42,664
Net book value				
At 3 August 1985	**34,369**	**12,251**	**23,002**	**69,622**
At 5 August, 1984	36,008	12,451	21,320	69,779
Company				
Cost or valuation				
At 5 August 1984	3,101	8,738	24,492	36,331
Additions	745	964	5,286	6,995
Disposals	–211	–408	–2,724	–3,343
At 3 August 1985	3,635	9,294	27,054	39,983
Depreciation				
At 5 August 1984	279	5,440	9,820	15,539
Charge for year	184	612	3,739	4,535
Eliminated on disposals	–36	–402	–1,470	–1,908
At 3 August 1985	427	5,650	12,089	18,166
Net book value				
At 3 August 1985	**3,208**	**3,644**	**14,965**	**21,817**
At 5 August 1984	2,822	3,298	14,672	20,792

NOTES TO THE ACCOUNTS
CONTINUED

Tangible fixed assets continued

	Consolidated	Company
Land and buildings	£000	£000
Cost	21,450	764
Valuation 1974	11,231	2,444
Valuation 1979	1,688	—
	34,369	**3,208**
Freehold	31,640	3,175
Long leasehold	144	10
Short leasehold	2,585	23
	34,369	**3,208**
If land and buildings had not been revalued they would have been included at the following amounts:		
Cost	29,632	1,229
Aggregate depreciation	3,184	149

12 Investments and advances

	1985	1984
	£000	£000
Unlisted investments	1,153	12,053
Advances	121	124
Consolidated	**1,274**	**12,177**
Shares at cost or valuation in subsidiary companies	52,444	43,905
Due from subsidiary companies	57,944	66,927
	111,662	123,009
Due to subsidiary companies	9,389	6,922
Company	**102,273**	**116,087**

Unlisted investments are stated at cost after deducting provisions.
Details of the Company's subsidiaries are listed on page 42.

13 Capital commitments

	1985	1984
	£000	£000
Estimated commitments not included in the accounts:		
Company	1,404	1,369
Subsidiaries	1,098	831
	2,502	**2,200**
Amounts authorised by Directors but not committed:		
Company	1,754	2,642
Subsidiaries	766	472
	2,520	**3,114**

14 Stocks

	Consolidated		Company	
	1985	1984	1985	1984
	£000	£000	£000	£000
Stocks comprise:				
Raw materials and consumables	19,171	18,148	2,730	2,801
Work in progress	36,884	34,331	25,453	23,967
Finished goods	39,863	44,385	9,788	12,054
	95,918	96,864	37,971	38,822
Less: Payments on account	6,522	6,283	5,120	5 276
	89,396	90,581	32,851	33,546
Long-term contracts comprise:				
Cost and attributable profit less losses	26,376	25,783	25,476	25,324
Less: Payments on account	19,733	20,756	19,716	20,654
	6,643	5,027	5,760	4,670
	96,039	**95,608**	**38,611**	**38,216**

15 Debtors

	Consolidated 1985 £000	Consolidated 1984 £000	Company 1985 £000	Company 1984 £000
Amounts falling due within one year:				
Trade debtors	71,960	66,019	28,562	26,055
Amounts owed by subsidiaries	—	—	873	995
Other debtors	2,614	8,789	1,051	7 353
Prepayments and accrued income	2,918	3,233	1,265	1,897
	77,492	78,041	31,751	36,300
Amounts falling due after more than one year:				
Other debtors	986	1,480	898	1 158
	78,478	**79,521**	**32,649**	**37,458**

16 Creditors

	Consolidated		Company	
	1985	1984	1985	1984
	£000	£000	£000	£000
Amounts falling due within one year:				
Bank loans and overdrafts	9,931	14,539	722	7,883
Finance leases	1,686	1,744	1,402	1,329
Trade creditors	31,363	30,743	13,419	11,058
Bills of exchange payable	189	263	—	—
Amounts owed to subsidiaries	—	—	648	504
Other creditors	8,594	13,390	7,199	11,896
Proposed dividend	6,448	4,855	6,448	4,855
Corporation tax	7,176	5,723	3,816	3,637
Other taxation and social security costs	4,672	4,677	2,770	3,134
Accruals	16,234	14,270	7,400	5,671
	86,353	90,204	43,824	49,967
Amounts falling due after more than one year:				
7¼% Debenture stock 1983/88	1,853	1,853	1,853	1,853
11¼% Debenture stock 1995/2000	4,900	4,900	4,900	4,900
7½% Convertible unsecured loan stock 1985/90	117	227	117	227
9% Unsecured loan notes 1984/89	317	496	317	496
Bank loans	1,941	2,456	—	—
Finance leases	978	2,629	895	2,318
Mortgages	363	693	—	—
Other creditors	2,842	1,752	419	167
Corporation tax	3,220	871	3,220	871
	16,531	15,897	11,721	10,832

Bank loans and overdrafts at 3 August 1985 amounted to £11.9m (1984 £1[illegible]m) of which £1.5m are secured.
Bank loans and overdrafts are repayable:

Within one year or on demand	£9.9m
Within one to two years	£0.5m
Within two to five years	£1.2m
After five years	£[illegible]m

The debenture stocks are secured by fixed and floating charges on the whole of the assets and undertaking of the company and [illegible] subsidiaries. [illegible] to December 1985 [illegible]

Obligations under finance leases and non-cancellable operating leases are as follows:

	Finance Leases	Operating Leases
	£000	£000
1986	1,[illegible]	1,159
1987	652	997
1988	320	510
1989	—	384
1990 and after	—	1,155
	[illegible]	4,235
Less finance charges allocated to future periods	[illegible]	—
	2,651	4,235

17 Provisions for liabilities and charges

	Total	Pensions	Others	Deferred Taxation
	£000	£000	£000	£000
Consolidated				
At 5 August 1984	7,091	1,750	5,813	–472
Profit and loss account	9,753	—	9,113	640
Utilisation	–6,433	–150	–9,915	3,632
At 3 August 1985	**10,411**	1,600	5,011	3,800
Company				
At 5 August 1984	6,405	1,750	4,655	—
Profit and loss account	8,982	—	8,342	640
Utilisation	–5,489	–150	–9,092	3,753
At 3 August 1985	**9,898**	1,600	3,905	4,393

	Consolidated		Company	
	1985	1984	1985	1984
	£000	£000	£000	£000
Deferred Taxation				
Accelerated capital allowances	8,363	8,074	8,363	8,074
Advance Corporation tax	–2,763	–4,978	–2,763	–4,978
Short-term timing differences	–1,800	–3,568	–1,207	–3,096
	3,800	**–472**	**4,393**	—

No provision has been made for the potential Corporation tax liability on capital gains amounting to £5m (1984: £4.5m).

NOTES TO THE ACCOUNTS
CONTINUED

18 Called up share capital

On 14 January 1985 the authorised Share Capital was increased from £35m to £75m and the 50p shares were sub-divided into 25p shares. The authorised capital now comprises 300m ordinary shares of 25p each.

	Shares	Issued Capital	Consideration
		£000	£000
At 5 August 1984 (50p shares)	52,480,177	26,240	
Part consideration for acquisition of Superflexit Group Ltd.	996,369	498	5,829
Exercise of share options	195,013	98	780
Conversion of loan stock	53,176	27	110
At 14 January 1985	53,724,735	26,863	
Sub-division into 25p shares	53,724,735	—	
Capitalisation of reserves	107,449,470	26,862	
Exercise of share options	16,010	4	15
At 3 August 1985 (25p shares)	214,914,950	53,729	

At 3 August 1985 the following options had been granted and were still outstanding:—

	Date issued	Number of shares	Subscription prices	Dates normally exercisable
SAYE	1982	1,927,320	88.5p	1988/1990
	1983	345,992	103.25p	1989/1991
	1984	933,416	148.5p	1990/1992
Executive	1983	592,188	114.5p	1986/1990
	1984	1,069,780	171.75p	1987/1994

19 Share premium account and reserves

	Share premium account	Revaluation reserve	Other reserves	Profit and loss account
	£000	£000	£000	£000
Consolidated				
At 5 August 1984	21,294	9,850	8,175	87,021
Premium on allotments	6,107			
Retained profit				11,886
Exchange rate changes		–259	–2,472	
Goodwill on consolidation written off				–6,046
Capitalisation of reserves	–26,862			
Disposals		–1,964		
Other items	–113			–99
At 3 August 1985	426	7,627	5,703	92,762
Company				
At 5 August 1984	21,294	2,275	2,864	92,856
Premium on allotments	6,107			
Retained profit				1
Exchange rate changes			–62	
Capitalisation of reserves	–26,862			
Other items	–113	–147		
At 3 August 1985	426	2,128	2,802	92,857

20 Contingent liabilities

	1985	1984
	£000	£000
Guarantees by the Company of subsidiary companies' borrowings	**2,000**	**2,300**
Others	**200**	**270**

21 Pension commitments

Smiths Industries has a number of pension schemes whose assets are independent of the Company's finances. The schemes are funded by contributions both from the employees and the Company at rates recommended by independent actuaries. The main scheme in the United Kingdom was valued at 5 April 1983 by Bacon & Woodrow, consulting actuaries, whose report indicated that the benefits of the members earned up to 5 April 1983 were fully backed by the scheme's investments and that the present funding arrangements are considered satisfactory and adequate to meet the future liabilities of the fund. The next valuation will be at 5 April 1986.

22 Directors' Interests in the Company's Shares

Director	Ordinary Shares of 25p	SAYE Share Option Scheme		Executive Share Option Schemes	
	1985	1985	1984	1985	1984
D. L. Breeden	3,000				
Sir James Hamilton	Nil				
Sir Barrie Heath	1,400				
A. K. Hornsby	1,200	7,908	5,420	97,484	84 800
F. R. Hurn	Nil	8,380	5,420	147,504	127,400
Sir Alex Jarratt	4,000				
The Earl Jellicoe	1,248				
G. M. Kennedy	Nil	6,892	4,404	86,192	70,000
Sir John Lidbury	2,000				
A. H. Pope	Nil	4,980	Nil	89,904	73,200
Sir Roy Sisson	1,312				
W. F. Sykes	Nil	6,892	4,404	78,532	64,000
J. W Thompson	1,312	7,908	5,420	94,544	82,200

In accordance with the Rules of the Smiths Industries Executive Share Option Scheme 1982 as amended by resolution at the 1984 Annual General Meeting, the directors exercised options on 19 December 1984 to the extent of half the aggregate market value at the date of grant.

There were no other changes to the beneficial holdings of the directors and their families in the ordinary share capital of the Company during the year ended 3 August 1985 and the Company has not been notified of any changes thereto between that date and 1 November 1985.

Mr. F. R. Hurn has interests as a joint-trustee and as a potential beneficiary in 4,080 ordinary shares of 25p held by a family trust.

SOURCE AND DISPOSITION OF FUNDS

	1985	1984
	£000	£000
Source		
Profit before taxation	47,576	36,160
Depreciation	9,648	9,977
Other items	–249	–127
Funds available	**56,975**	**46,010**
Disposition		
Dividends paid	8,078	6,406
Tax paid	10,759	8,680
Net expenditure on fixed assets	13,658	13,089
Increase in working capital:		
Stocks—increase	6,349	4,571
Debtors—increase	6,985	3,334
Creditors—increase	–3,451	–3,029
	(9,883)	(4,876)
Funds utilised	**42,378**	**33,[illegible]1**
Cash movement related to trading	**14,537**	**12,959**
Non-trading items:		
Exchange rate changes on foreign currency borrowings	2,474	[illegible]
Share Issues: Options and Loan Stock	792	5[illegible]3
Sale of unlisted investments	727	140
Acquisitions/Disposals*	7,457	–3,0[illegible]
Decrease in net borrowings	**26,047**	**4,803**

*Net Assets at date of acquisitions and disposals

	Acquisitions	Disposals
	£000	£000
Fixed assets	2,458	4,792
Stocks	2,763	5,333
Debtors	3,971	7,317
Creditors	–4,615	–3,355
Borrowings	–1,209	–1,995
Net assets	3,378	12,091
Consideration	9,424	10,536
Borrowings	1,209	1,995
	10,633	12,532
Shares Issued	5,829	—
Cash due to be received	–	271
Cash paid/received	4,804	12,261

AUDITORS' REPORT
TO THE MEMBERS OF SMITHS INDUSTRIES PUBLIC LIMITED COMPANY

We have audited the accounts on pages 23 to 36 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention modified by the revaluation of certain assets, give, so far as concerns members of Smiths Industries Public Limited Company, a true and fair view of the state of affairs of the Company and of the Group at 3 August 1985 and of the profit and source and disposition of funds of the Group for the 52 weeks then ended and comply with the Companies Act 1985.

Clark Whitehill Clark Whitehill
Chartered Accountants
London
13 November 1985

TEN YEAR REVIEW

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Turnover	**383.0**	388.7	380.7	385.9	367.6	319.8	284.6	254.8	224.1	180.8
Trading profit	**48.9**	39.2	31.4	32.3	30.8	30.1	27.5	24.1	21.7	17.5
Profit before taxation	**47.6**	36.2	26.8	26.5	26.3	26.1	25.1	22.1	20.5	16.2
Profit after taxation	**27.6**	21.5	17.5	17.2	19.5	18.4	17.7	16.0	13.3	7.8
Funds employed										
Shareholders' funds	**160.2**	153.6	151.2	142.8	138.0	125.2	111.3	102.4	95.5	84.2
Net borrowings	**—**	20.1	24.9	35.1	32.7	25.9	19.7	18.8	13.0	10.5
Net cash	***6.0***	–	–	–	–	–	–	–	–	–
	154.2	173.7	176.1	177.9	170.7	151.1	131.0	121.2	108.5	94.7
Represented by:										
Fixed assets	**70.9**	82.0	80.0	66.7	66.8	57.9	50.1	44.0	38.2	34.0
Net current assets	**83.3**	91.7	96.1	111.2	103.9	93.2	80.9	77.2	70.3	60.7
	154.2	173.7	176.1	177.9	170.7	151.1	131.0	121.2	108.5	94.7
Ratios										
Trading profit: Turnover (%)	**12.8**	10.1	8.3	8.4	8.4	9.4	9.7	9.5	9.7	9.7
Trading profit: Funds employed (%)	**31.7**	22.6	17.8	18.2	18.0	19.9	21.0	19.9	20.0	18.5
Pre-tax profit: Shareholders' funds (%)	**29.7**	23.6	17.7	18.6	19.1	20.8	22.6	21.5	21.5	19.2
Taxation (%)	**42.0**	40.7	34.9	35.0	26.1	29.5	29.6	27.7	35.0	51.5
Turnover: Funds employed	**2.5**	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.1	1.9
Dividends										
Pence per share	**4.5**	3.5	2.9	2.7	2.6	2.5	2.4	2.0	1.8	1.6
Times covered	**2.8**	2.9	2.9	3.0	3.6	3.7	3.7	4.1	3.8	2.6
Earnings per share (p)	**12.9**	10.2	8.4	8.3	9.4	9.3	9.2	8.4	7.0	4.3
Number of employees (thousands)	**11.0**	11.2	13.2	16.2	17.5	19.4	20.0	20.3	20.4	20.3

STATEMENT OF VALUE ADDED

	1985		1984	
	£000		£000	
Turnover	383,000		388,650	
Deduct:				
Purchased materials and services	199,404		213,246	
Value added	**183,596**		**175,404**	
Utilised as follows:		%		%
Wages, pension contributions and employee benefits	125,067	68.1	126,207	72.0
Taxation	20,000	10.9	14,703	8.4
Interest	1,305	0.7	3,060	1.7
Dividends	9,671	5.3	7,347	4.2
Minority interests	72	—	201	0.1
Depreciation	9,648	5.3	9,977	5.7
Retained profit (before extraordinary items)	17,833	9.7	13,909	7.9
Value added	**183,596**	**100**	**175,404**	**100**

ANALYSIS OF ORDINARY SHAREHOLDERS

29 OCTOBER 1985

Class of Shareholders	No. of Holders	No. of Shares	% of total Issued Shares
Insurance Companies	74	50,773,504	23.62
Pension Funds	86	15,914,520	7.40
Banks	287	804,248	0.37
Nominees	698	91,867,687	42.75
Limited Companies and other Corporate Bodies	355	32,271,185	15.02
Individuals	5,730	23,288,221	10.84
Total	**7,230**	**214,919,365**	**100.00**

CONSOLIDATED CURRENT COST ACCOUNTS

	52 weeks ended 3 August 1985	53 weeks ended 4 August 1984
Consolidated current cost profit and loss account	£m	£m
Turnover	383.0	388.7
Historical cost trading profit	48.9	39.2
Cost of sales and monetary working capital adjustment	4.8	6.0
Depreciation adjustment	1.3	1.5
Current cost operating profit	42.8	31.7
Interest, less gearing adjustment	0.6	2.0
Current cost profit before taxation	42.2	29.7
Taxation	20.0	14.7
Minority interests	0.1	0.2
	22.1	14.8
Dividends	9.7	7.3
	12.4	7.5
Extraordinary items	5.9	2.5
Current cost retained profit	6.5	5.0
Dividend cover	2.3	2.0
Earnings per share	10.3p	7.1p

Consolidated current cost balance sheet	£m	£m
Fixed assets	86.5	102.8
Net current assets	118.3	95.1
Creditors: amounts falling due after more than one year	−16.5	−15.9
Provisions for liabilities and charges	−10.4	−7.1
Net assets	177.9	174.9
Called up share capital	53.7	26.2
Reserves	124.2	147.7
Shareholders' funds	177.9	173.9
Minority interests	—	1.0
	177.9	174.9

Note: Properties are as professionally valued at July 1984, with subsequent additions at cost. Other fixed assets are valued at net replacement cost derived from general replacement indices also used to calculate additional depreciation. Appropriate published indices have been used to calculate the other current cost adjustments.

SUBSIDIARY AND ASSOCIATED COMPANIES

United Kingdom

Automated Engineering Products Ltd
†Avonicom Systems Ltd (47%)
†Cam Profiles Ltd
Ceewood Developments Ltd
Concord Laboratories Ltd
Contents Measuring Systems Ltd
Downs Surgical Ltd
†Dowty & Smiths Industries Controls Ltd (49%)
Eschmann Bros & Walsh Ltd
Flexible Ducting Ltd
†Flight Navigation Ltd (50%)
Fliteline Ltd
Grosvenor Surgical Supplies Ltd
Hefac Engineering Ltd
Henry Hughes & Sons Ltd
Hypertac Ltd
†Icore International Ltd
Kelvin Hughes Ltd
Lodge Ceramics Ltd
MacLellan Rubber Ltd
Mecro Ltd
Medcraft Brothers Ltd
Micro Circuit Engineering Ltd
Ming Instruments Ltd
Portex Ltd
Sifan Systems Ltd
SIMAC Ltd
SI Properties Ltd
Smiths Industries Aerospace & Defence Systems Ltd
Smiths Industries Environmental Controls Co Ltd
Smiths Industries Hydraulics Co Ltd
Smiths Industries Management Ltd
Surgical Equipment Supplies Ltd
Uniroof Ltd
Unitex Ltd
Uni-Tubes Ltd
Xionics Ltd (95%)

Overseas

Australia
Smiths Industries Australia Pty Ltd
†Downs Surgical (Australia) Pty Ltd
Efco Manufacturing Pty Ltd
Smiths Industries Pty Ltd

Belgium
Smiths Industries Belgique SA

Canada
†Downs Surgical Canada Ltd
†Portex Inc
†Smiths Industries North America Ltd
†Smiths Industries Medical Systems Canada Ltd

Denmark
†A/S Kelvin Hughes

France
†Laboratoire Lejeune, Seitz & Ameline SA
†Laboratoire Portex SA
†Smiths Industries (France) SA

Japan
†Smiths Industries (Japan) Ltd

Malaysia
†Kelvin Hughes (Malaysia) Sdn Bhd

New Zealand
†Smiths Industries N.Z. Ltd

Singapore
†Siflex Industries Pte Ltd
†Kelvin Hughes (Singapore) Pte Ltd

U.S.A.
†Smiths Industries Inc.
†Concord Laboratories Inc.
†Downs Surgical Inc.
†Icore International Inc.
†Integrated Air Systems Inc.
†Portex Inc.
†SI Industries Inc.
†SI-Tex Marine Electronics Inc.
†Smiths Industries Aerospace & Defense Systems Inc.
†Smiths Industries Medical Systems Inc.
†The Aero-Electric Connector Co. Inc. (90%)

West Germany
†Flexschlauch Produktions GmbH
†Icore International GmbH
†Smiths Industries GmbH

All the companies are wholly owned subsidiaries except where the shareholding percentage is shown.

The Company also holds investments in other subsidiaries which are either non-trading or not significant; details of these subsidiaries will be annexed to the Company's next annual return in compliance with Section 231(3) of the Companies Act 1985.

†Not audited by Clark Whitehill or associates.

FINANCIAL CALENDAR

1985

November

13 1984/85 Final Results announced
22 1984/85 Report & Accounts published
25 Ordinary Shares Ex-dividend Date

December

1 Convertible Loan Stock Conversion begins
5 Ordinary Shares Final Dividend Record Date
17 Annual General Meeting
31 Convertible Loan Stock Conversion Period ends

1986

January

2 Ordinary Shares Final Dividend payable
3 Loan & Debenture Stocks Interest Payments Record Date
24 Convertible Loan Stock Conversion Fractional shares sold
31 Loan & Debenture Stocks Interest payable

April

9 1985/86 Interim Results announced
1985/86 Interim Report published
14 Ordinary Shares Ex-dividend Date

May

2 Ordinary Shares Interim Dividend Record Date

June

13 Ordinary Shares Interim Dividend payable

July

2 Loan & Debenture Stocks Interest Payment Record Date
31 Loan & Debenture Stocks Interest Payable

August

2 Smiths Industries financial year end

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