

Chairman's statement

Headline earnings per share

+23%

64.8p

Dividend

+8.1%

31.35p

Statutory earnings per share

4.3p



Donald Brydon
Chairman

The past year has seen further progress in revenues, headline profits and cash generation across the Smiths Group. There is clear evidence of improvement in all these key variables. The growth in revenues can be traced back to the successful 'Full Potential' initiative led by our Chief Executive, Keith Butler-Wheelhouse, over the last few years. Smiths has always been good at cost control and it is pleasing to see revenues now growing apace.

During the period, the Group's positioning has proved beneficial with underlying growth in our chosen markets. This positioning is no accident, and the Board continues to keep the shape of the Group under constant review. We position the Group for growth and to create shareholder value, whilst maintaining the financial discipline that has served us well to date in relation to both acquisitions and on-going business.

The decision has been taken to write down the carrying value of the Group's investment in the preference shares in TI Automotive Ltd. This is a prudent measure that does not affect cash-flow.

We will maintain our drive for improved production techniques, enhanced technology developments, and innovative customer solutions, combined with a passion for efficiency that you will find right across Smiths. Taken together, these qualities help make us a world leader in the practical application of advanced technologies. Throughout this report you will see examples of Smiths products and services that help to make the world safer, healthier and more productive.

It is a little disappointing that the market is reluctant to give the Smiths management full credit for the investments we have made in our Aerospace business. This business has long development times, but the quality of the products and the strength of our customer relationships are truly a major asset. The seeds of future profitability have been well sown.

During the year, Lord Robertson resigned from the Board and already we miss his ready wit and wisdom. We will also be losing Sir Julian Horn-Smith at the Annual General Meeting after almost seven years during which he has made an important and valued contribution. It is with great regret that I have to report that Rob O'Leary passed away in the summer. He was a remarkable non-executive director and travelled despite great personal discomfort to participate in our deliberations through a long illness. His profound knowledge of the medical business and his simple humanity will be hard to replace.

It was a great pleasure to welcome Sir Kevin Tebbit to the Board. His wide experience will be a considerable benefit.

The past two years have seen us progressing carefully through a period of renewal of the senior executives in the Group. It is a measure of the success of this succession planning that the changes have occurred with minimal disruption to the business. This year we welcomed Srini Seshadri as the new Group Managing Director of Smiths Medical and, more recently, we have promoted Paul Cox to lead Smiths Specialty Engineering. Einar Lindh left Smiths after overseeing the transition in the medical business and, after 28 years, he carries all our good wishes into retirement.

John Langston has succeeded Alan Thomson as Finance Director. John's finance and operations background prepares him well for the task ahead, and he leaves the Specialty Engineering business in very good shape. Alan Thomson has retired from his full-time role, but I am delighted to report that he continues to assist the Group on special projects. His contribution to Smiths has been immense and is fully recognised by the very high regard in which he is held by his colleagues.

I am delighted that the Financial Reporting Council has caught up with Smiths Board practice and legitimised a Chairman's membership of the Remuneration Committee. This is a sensible reversal of the Council's previously unsatisfactory position.

Returning to performance in the past year, the consolidated results show an increase in sales of 17% and in headline earnings per share of 23%. As a result of this good performance, the Board is recommending an increase in the dividend for the full year of 8.1% to 31.35p. This means the final dividend will be 21.5p.

There can be no doubt that Smiths operates in critical sectors where our products make a valuable difference. The world faces many serious challenges, not least the threats being made to security, and we are proud that Smiths provides much of the technology that helps make people safer. Other equally compelling examples of the differences we make exist across our markets. Smiths success in making this positive contribution falls to our employees and I would like to thank them for their dedication, commitment and loyalty during the past year.

The foundations of our Group are strong and our strategic focus is clear. It is with confidence that I look forward to reporting further progress next year.



Donald Brydon
Chairman