Directors' remuneration report

Introduction
The Directors' remuneration report is presented to shareholders by the Board. The report complies with the Directors' Remuneration Report Regulations 2002 (the Regulations). A resolution will be put to shareholders at the Annual General Meeting on 21 November 2006 inviting them to approve this report.

The Committee
Throughout the period 1 August 2005 to 5 August 2006 the Remuneration Committee (the Committee) comprised Sir Julian Horn-Smith, as Chairman of the Committee, Mr Brydon, Sir Nigel Broomfield and Messrs Challen and O'Leary. Mr Brydon is absent when his own remuneration as Chairman of the Company is under consideration. The Chief Executive attends meetings of the Committee by invitation; he is absent when his own remuneration is under consideration.

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

The Company complied with the provisions of the Combined Code on Corporate Governance (July 2003 issue) relating to directors' remuneration throughout the period (save that, as explained on page 36, the Chairman is a member of the Committee).

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

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

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

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

The remuneration of directors is set out in tables on pages 42 and 43.

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

The Committee has adopted a remuneration policy (which will continue to apply during 2006/07) with the following objectives:

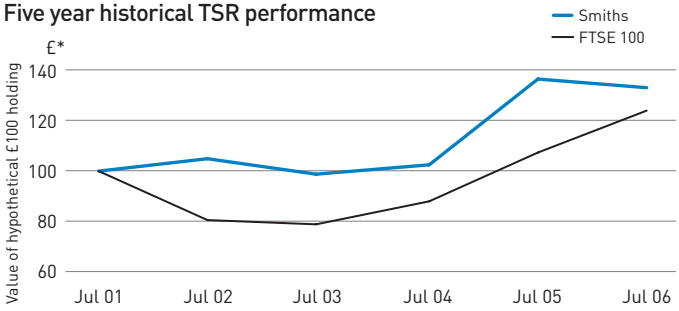
(a) performance-related remuneration should seek to align the interests of executive directors with those of shareholders;

(b) a significant proportion of remuneration should be based on operational and financial performance both in the short and long term, as well as the individual contributions made by the executive directors; and

(c) the remuneration packages for executive directors should be competitive in terms of market practice in order to attract and retain executive directors of the highest calibre.

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

Five year historical TSR performance



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

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

The first grant of awards under the Performance Share Plan to executive directors and senior executives (who consequently no longer receive grants under the 1995 Scheme) took place in December 2004, and a further grant was made in 2005. The first participation by executive directors and senior executives in the Co-Investment Plan, which replaced the Deferred Share Scheme, took place in October 2005.

Further information on the share plans is set out below.

Salary and benefits in kind
Salaries are reviewed annually for each executive director; at the August 2005 review all directors' salaries increased by 3%. The

Committee takes into account individual performance and experience, the size and nature of the role, the relative performance of the Company, pay policy within the Company and the salaries in comparable industrial companies. Benefits include a fully expensed company car (or an allowance in lieu), health insurance and, where appropriate, relocation and education expenses.

Bonuses

Executive directors are eligible to participate in an annual bonus plan based on a combination of corporate financial goals and individual achievements. The maximum level of bonus that may be awarded for the financial year 2006/07 is 100% (Chief Executive 120%) of salary. The Committee intends to review this level annually to ensure that it remains appropriately competitive.

Executive directors and other senior executives are eligible, if invited, to participate in the Co-Investment Plan. Under this plan, participants are able to invest up to the full amount of their annual bonus or, if greater, 25% of salary (in both cases, on an after-tax basis) in shares in the Company. If the participant remains in service for three years, he will, subject to the Company satisfying a performance condition, be eligible to receive a one-for-one matching share award (based on the pre-tax amount of salary or deferred bonus in question). The applicable performance condition is that the Company's average return on capital employed over the performance period should exceed the Company's weighted average cost of capital over the same period by an average margin of at least 1% per annum. The Committee regards this condition as appropriate as it is a test of the operating efficiency of the Company. There will be no retesting of this performance condition.

Pensions

The Company operates a number of different pension arrangements for executive directors, generally reflecting the individual's pension arrangements at the time he was appointed to the Board. In some cases, the Company pays monthly salary supplements, of a percentage of salary approved by the Committee at the time of appointment, to enable the director to make his own pension provision. For other directors, final salary schemes provide a pension of up to two-thirds of final pensionable salary. The Company continues to apply an earnings cap, on a basis similar to the pre-2006 Inland Revenue limit, to determine the proportion of overall pension payable by the regulated pension scheme, with the balance of pension provided by the Company; these arrangements substantially represent a continuation of pre-2006 practice and involve no additional cost for the Company. In appropriate cases, the Company permits the waiver of salary and pension supplement entitlements where the arrangement does not involve additional cost for the Company. Where such waivers are made, incentives and pension entitlements continue to be calculated by reference to salaries prior to these reductions. Details of the salary supplement payments, waiver and other pension provisions are set out in the tables on pages 42 and 43.

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

Share options and performance shares

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

The 1995 Scheme was approved at the Annual General Meeting in 1995 and amended in 2001. For executive directors and other senior executives the 1995 Scheme was replaced by the Performance Share Plan. The 1995 Scheme continues to cover approximately 450 executives whose awards are approved by the Committee. The operation of the 1995 Scheme is summarised on page 47.

Under the Performance Share Plan, the maximum value of share awards made annually to executive directors and other senior executives to date is 150% of base salary and the Committee intends that this should remain as the maximum value of awards. However, the Committee has power in exceptional circumstances (such as the recruitment of an executive director) to make share awards up to a maximum value of 300% of base salary. Awards will be released after three years to the extent a performance condition is met. One-third of the award is subject to a TSR target relative to other FTSE 100 companies (excluding financial companies and investment trusts). For full vesting, the Company's TSR must be at or above the 75th percentile over the three-year performance period. 25% of the award will vest if the Company's TSR is at median. Awards will vest on a straight-line pro rata basis between median and 75th percentile. The remaining two-thirds of the award will be subject to an earnings per share (EPS) growth target (measured before exceptional items). For the three-year cycle commencing in 2005/06, full vesting will occur if the compound annual growth in EPS is equivalent to 12% per annum. 25% vesting will occur if the compound annual growth in EPS is equivalent to 5% per annum, with vesting on a straight-line basis between 5% and 12%.

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

The Committee determined the threshold and maximum vesting levels operated to date after considering the Company's historic performance and future plans, and on the basis of external advice. Having recently reviewed these and other factors the Committee continues to consider that the achievement of compound annual EPS growth of 12% per annum is a suitably demanding target for maximum vesting in the light of the Group's diverse business. While vesting levels will be kept under periodic review by the Committee, it currently intends to make no change to the operation of the Performance Share Plan. There will be no retesting of the TSR and EPS performance measures.

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

In the period ended 5 August 2006, executive directors exercised share options and at 5 August 2006 held unexercised options and share awards as described in the table on pages 45 to 47.

With the exception of an exercise of a Sharesave option by Dr Ferrie on 9 August 2006, and the lapse, on 9 September 2006, of the TI executive scheme option granted to Mr Lillycrop on 9 September 1996, there were no changes in the options and awards held by directors between 6 August and 29 September 2006. The Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings, options to acquire shares in the Company and share awards.

Remuneration

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

	2006 £000	2005 £000
Fees, salaries and benefits	**3,207**	3,732
Performance-related bonuses	**2,047**	3,189
Gain from exercise of share options	**1,488**	1,005
Incremental gain from deferred share scheme exercises	**153**	103
Vesting of contingent share payments*	**–**	1,841
Payments in lieu of pension contribution	**561**	627
	7,456	10,497

*Two directors, Mr J Langston and Mr D P Lillycrop, had respective contingent interests in 125,000 and 100,000 Smiths shares arising from contractual arrangements entered into following the merger of TI Group plc with the Company. These interests vested on 27 September 2004.

The emoluments of the directors are set out below:

	Fees/salary		Benefits	Bonus	Payments in lieu of pension contribution	Total emoluments	
	2006 £000	2005 £000	2006 £000	2006 £000	2006 £000	2006 £000	2005 £000
Chairman							
D H Brydon	**260**	218	**20**	**–**	**–**	**280**	221
Chief Executive							
K O Butler-Wheelhouse	**811**	787	**64**	**804**	**405**	**2,084**	2,349
Executive directors							
J Ferrie	**392**	380	**65**	**230**	**156**	**843**	879
J Langston	**358**	348	**39**	**341**	**–**	**738**	841
D P Lillycrop	**342**	332	**75**	**320**	**–**	**737**	799
Non-executive directors							
Sir Nigel Broomfield	**48**	40	**–**	**–**	**–**	**48**	40
D J Challen (appointed 21/09/04)	**57**	43	**–**	**–**	**–**	**57**	43
Sir Julian Horn-Smith	**52**	45	**–**	**–**	**–**	**52**	45
P J Jackson	**63**	53	**–**	**–**	**–**	**63**	53
Sir Kevin Tebbit (appointed 14/06/06)	**6**	–	**–**	**–**	**–**	**6**	–
Former directors							
K Orrell-Jones (retired 21/09/04)	**–**	34	**–**	**–**	**–**	**–**	45
Sir Colin Chandler (retired 16/11/04)	**–**	24	**–**	**–**	**–**	**–**	24
L H N Kinet (retired 06/07/05)*	**–**	324	**–**	**–**	**–**	**–**	764
E Lindh (retired 20/01/05)*	**–**	165	**–**	**–**	**–**	**–**	415
R W O'Leary (deceased 14/08/06)	**48**	40	**–**	**–**	**–**	**48**	40
Lord Robertson of Port Ellen (resigned 27/02/06)	**32**	40	**–**	**–**	**–**	**32**	40
A M Thomson (retired 06/09/06)	**436**	423	**39**	**352**	**–**	**827**	950
	2,905	3,296	**302**	**2,047**	**561**	**5,815**	7,548

*Mr Kinet, a former director, received £531,312 in cash and benefits (including education expenses) in respect of his continued employment between 1 August 2005 and 5 July 2006. Mr Lindh, a former director, received £335,750 pursuant to a consultancy agreement operating between 1 August 2005 and 8 March 2006.

1. Shares which may be awarded under the Deferred Share Scheme, Performance Share Plan and Co-Investment Plan are as set out in the directors' share options table on pages 45 to 47.

2. The Remuneration Committee has approved arrangements under which Mr Butler-Wheelhouse and Mr Thomson have waived entitlements to certain of their emoluments in return for unfunded unapproved pension benefits of equivalent value granted by the Company. The arrangements for Mr Butler-Wheelhouse were described in last year's report. Those for Mr Thomson (which are separate from the arrangements described in note 3) were approved with effect from December 2005. In accordance with relevant legislation, the value of these unfunded unapproved pension benefits was converted into funded benefits under the Smiths Industries Pension Scheme (SIPS) in April 2006. The unfunded benefits notionally accrued a bond-like return prior to the conversion in April 2006. In connection with these arrangements Mr Butler-Wheelhouse waived £237,884 (in addition to £32,473 waived in connection with earlier arrangements) and Mr Thomson waived £120,000 during the period 1 August 2005 to 31 March 2006. From April 2006 Mr Butler-Wheelhouse and Mr Thomson continued to waive their entitlements to certain of their emoluments in return for the Company making equivalent amounts of contributions to SIPS; Mr Butler-Wheelhouse waived £71,664 and Mr Thomson £56,461. The amounts waived would otherwise have been paid to Mr Butler-Wheelhouse as payments in lieu of pension contributions and to Mr Thomson as salary. For reasons of clarity, all amounts referred to are included within the table above.

3. From October 2005 UK employees ceased making personal contributions to the relevant pension schemes. Their salaries were reduced by the amount of their previous pension contributions and the Company commenced paying the same amount directly to the pension schemes. Accordingly, the salaries of Messrs Thomson, Langston and Lillycrop were reduced by £26,969, £6,675 and £6,675 respectively. For reasons of clarity, the salaries shown in the table on page 42 for these directors are the amounts they would have been paid if they had not given up these salary entitlements.

Directors' pension entitlements

Accrued annual pension under defined benefit schemes

	Age at 5 August 2006	Accrued entitlement at 31 July 2005 £000	Directors' contributions during the year (note 2) £000	Additional pension earned during the year (excluding any increase for inflation) £000	Transfer value of accrued benefits at 5 August 2006 (A) £000	Transfer value of accrued benefits at 31 July 2005 (B) £000	The amount of (A – B) less contributions made by the director in 2006 £000	Accrued entitlement at 5 August 2006 £000
J Langston	56	159	1	13	3,020	2,618	401	176
D P Lillycrop	50	129	1	9	1,849	1,626	222	141
A M Thomson (retired 06/09/06)	59	205	5	23	4,654	3,932	717	233

1. An executive director's normal retirement age is 60. An early retirement pension, based on actual service completed, may be paid after age 50 and may be subject to a reduction on account of early payment. On death, a spouse's pension of two-thirds of the director's pension (or for death-in-service his prospective pension at age 60) is payable. All pensions in excess of the Guaranteed Minimum Pension (GMP) are guaranteed to increase at the lesser of (i) in the case of Mr Thomson, 5% per annum compound and, in the case of Messrs Langston and Lillycrop, 7% per annum compound and (ii) the annual increase in the Retail Prices Index. There has, however, been a long-standing practice of granting additional discretionary increases on pensions in excess of the GMP to bring them into line with price inflation.

2. Directors' contributions were made in August and September 2005. From October 2005, in common with other UK employees participating in the relevant pension schemes, these directors ceased making personal contributions. Their salaries were reduced by an amount equal to their previous pension contributions and the Company commenced paying the same amount directly to the pension schemes. Accordingly, the salaries of Messrs Thomson, Langston and Lillycrop were reduced by £26,969, £6,675 and £6,675 respectively. The benefits provided under the relevant pension schemes were not affected by this change. Separately, as described in note 2 on page 42, additional pension benefits were provided to Mr Thomson following his waiver of a further £176,461 of salary.

3. Transfer values of the accrued benefits have been calculated in accordance with actuarial guidance (GN11), and represent the amount that the pension scheme would pay to another pension provider if the member elects to transfer all of his benefits out of the scheme. The transfer values do not represent sums payable or due to the individual directors and therefore cannot be added meaningfully to annual remuneration.

Directors' interests in the Company's shares

	Ordinary shares of 25p	
	5 August 2006	31 July 2005
Sir Nigel Broomfield	**103**	103
D H Brydon	**12,000**	12,000
K O Butler-Wheelhouse	**429,620**	294,540
D J Challen	**2,000**	2,000
J Ferrie	**124,898**	92,030
Sir Julian Horn-Smith	**6,682**	6,682
P J Jackson	**0**	0
J Langston	**94,351**	85,954
D P Lillycrop	**80,254**	77,754
R W O'Leary (deceased 14/08/06)	**0**	0
Lord Robertson of Port Ellen (resigned 27/02/06)	**1,056***	0
Sir Kevin Tebbit (appointed 14/06/06)	**0**	0†
A M Thomson (retired 06/09/06)	**138,663**	114,386

*Indicates holding at date of resignation.

†Indicates holding at date of appointment.

These interests include beneficial interests of the directors and their families in the Company's shares held in trusts and holdings through nominee companies. None of the directors has disclosed any non-beneficial interests in the Company's shares.

Dr Ferrie exercised his 2001 Issue Sharesave option on 9 August 2006 and acquired 2,775 shares at the exercise price of 608p per share. The Company has not been notified of any other changes to the holdings of the current directors, their families and any connected persons between 5 August and 26 September 2006.

Share ownership

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

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

Mr Butler-Wheelhouse is employed under a service contract with the Company dated 26 September 2001. Mr Butler-Wheelhouse's contract is for an indefinite term ending automatically on his anticipated normal retirement date (age 62, increased from age 60 in November 2003), but may be terminated by 12 months' notice given by the Company or six months' notice given by Mr Butler-Wheelhouse. The Company may at its discretion elect to terminate the contract by making a payment in lieu of notice equal to:

(a) the salary Mr Butler-Wheelhouse would have received during the notice period;

(b) an amount equal to 50% of the maximum bonus potential that Mr Butler-Wheelhouse was entitled to receive under the executive bonus scheme for the then current bonus year;

(c) the annual cost to the Company of providing all other benefits to which Mr Butler-Wheelhouse is entitled under his contract, which has been pre-agreed as 10% of basic salary; and

(d) one year's payment in lieu of pension contribution.

Messrs Langston and Lillycrop are employed under service contracts with the Company dated 26 September 2001. Each service contract is for an indefinite term ending automatically on the anticipated normal retirement date (age 60), but may be terminated by 12 months' notice given by the Company or six months' notice given by the director concerned. The Company may at its discretion elect to terminate the contract by making a payment in lieu of notice on the same terms as those applicable to Mr Butler-Wheelhouse, save that the payment at item (d) is replaced by an amount to secure one year's pensionable service in the appropriate pension scheme(s). In addition, the Company has given its irrevocable consent to early payment of their pension from age 50 and without actuarial reduction from age 55.

Dr Ferrie is employed under a service contract with the Company dated 31 January 2000. Dr Ferrie's contract is for an indefinite term ending automatically on his anticipated normal retirement date (age 61, increased from age 60 in September 2005), but may be terminated by 12 months' notice given by the Company or six months' notice given by Dr Ferrie. There are no specific termination provisions in Dr Ferrie's service contract. In case of early termination, the Company may be liable to pay an amount in damages, having regard to salary and other benefits he would have received had he served out his notice period and taking into account his duty to mitigate his loss.

With effect from 1 October 2006 the retirement ages stated above will be subject to the provisions of the Employment Equality (Age) Regulations 2006.

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

The total amounts of fees earned in the period to 5 August 2006 by Dr Ferrie and Mr Thomson in respect of non-executive directorships elsewhere were £17,600 and £45,000 respectively.

Chairman and non-executive directors
Non-executive directors (which term excludes the Chairman) were paid fees totalling £306,000 in the period 1 August 2005 to 5 August 2006. Their remuneration is determined by the Board in accordance with the Articles of Association. During the year, the basic fee was £47,500 per annum. The Chairman and the non-executive directors are not eligible for bonuses or participation in share schemes and no pension contributions are made on their behalf. The Chairman and the non-executive directors serve the Company under letters of appointment and do not have contracts of service or contracts for services.

Auditable part
The directors' remuneration tables and accompanying notes on page 42, the directors' pensions table and accompanying notes on page 43, and the directors' share options table on pages 45 to 47 have been audited.

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

Sir Julian Horn-Smith
29 September 2006

Directors' share options and long-term share plans

		Options and awards held on 5 August 2006	Options and awards held on 31 July 2005	Option and award data					Options exercised 2005/06				
Director	Scheme	Number	Number	Performance test	Exercise price	Grant date	Vesting date*	Expiry date	Exercise date	Number	Exercise price	Market price at date of grant**	Market price at date of exercise†
K O Butler-Wheelhouse	95 ESOS	645	68,043	A	823.00p	25/10/96	25/10/99	25/10/06	08/05/06	67,398	823.00p	823.00p	1,000.00p
		0	83,540	A	934.00p	17/10/97	17/10/00	17/10/07	08/05/06	83,540	934.00p	934.00p	1,000.00p
		0	122,718	A	765.00p	21/10/98	21/10/01	21/10/08	08/05/06	122,718	765.00p	765.00p	1,000.00p
		0	16,806	A	858.50p	01/10/99	01/10/02	01/10/09	08/05/06	16,806	858.50p	858.50p	1,000.00p
		0	53,230	A	807.00p	01/12/00	01/12/03	01/12/10	08/05/06	53,230	807.00p	807.00p	1,000.00p
		0	47,800	A	790.00p	19/04/01	19/04/04	19/04/11	08/05/06	47,800	790.00p	790.00p	1,000.00p
		86,849	86,849	B	806.00p	09/04/02	09/04/05	09/04/12					
		86,848	86,848	C	806.00p	09/04/02	09/04/05	09/04/12					
		112,500	112,500	B	654.00p	02/10/02	02/10/05	02/10/12					
		112,500	112,500	C	654.00p	02/10/02	02/10/05	02/10/12					
		113,125	113,125	B	669.00p	01/10/03	01/10/06	01/10/13					
		113,125	113,125	C	669.00p	01/10/03	01/10/06	01/10/13					
	PSP	100,746	100,746	D	n/a	07/12/04	07/12/07	07/12/07					
		50,373	50,373	E	n/a	07/12/04	07/12/07	07/12/07					
		86,548	0	D	n/a	07/10/05	07/10/08	20/10/08					
		43,274	0	E	n/a	07/10/05	07/10/08	20/10/08					
	CIP	125,937	0	F	n/a	25/10/05	25/10/08	25/10/08					
	SAYE	2,964	2,964		554.00p	08/05/03	01/08/08	01/02/09					
	DSS	0	29,507		0.10p	24/10/02	24/10/05	24/09/09	08/05/06	29,507	0.10p	720.50p	1,000.00p
		45,396	45,396		0.10p	24/10/03	24/10/06	24/09/10					
		58,987	58,987		0.10p	07/12/04	07/12/07	07/11/11					
J Ferrie	95 ESOS	0	55,424	A	765.00p	11/04/00	11/04/03	11/04/10	06/01/06	55,424	765.00p	765.00p	1,023.00p
		0	31,895	A	807.00p	01/12/00	01/12/03	01/12/10	08/05/06	31,895	807.00p	807.00p	1,000.00p
		0	42,700	A	790.00p	19/04/01	19/04/04	19/04/11	08/05/06	42,700	790.00p	790.00p	1,000.00p
		39,702	39,702	B	806.00p	09/04/02	09/04/05	09/04/12					
		39,702	39,702	C	806.00p	09/04/02	09/04/05	09/04/12					
		54,250	54,250	B	654.00p	02/10/02	02/10/05	02/10/12					
		54,250	54,250	C	654.00p	02/10/02	02/10/05	02/10/12					
		54,500	54,500	B	669.00p	01/10/03	01/10/06	01/10/13					
		54,500	54,500	C	669.00p	01/10/03	01/10/06	01/10/13					
	PSP	48,659	48,659	D	n/a	07/12/04	07/12/07	07/12/07					
		24,330	24,330	E	n/a	07/12/04	07/12/07	07/12/07					
		41,802	0	D	n/a	07/10/05	07/10/08	20/10/08					
		20,901	0	E	n/a	07/10/05	07/10/08	20/10/08					
	CIP	31,571	0	F	n/a	25/10/05	25/10/08	25/10/08					
	SAYE	2,775	2,775		608.00p	10/05/01	01/08/06	01/02/07					
	DSS	0	10,473		0.10p	24/10/02	24/10/05	24/09/09	25/10/05	10,473	0.10p	720.50p	901.23p
		19,028	19,028		0.10p	24/10/03	24/10/06	24/09/10					
		26,852	26,852		0.10p	07/12/04	07/12/07	07/11/11					
J Langston	95 ESOS	0	42,700	A	790.00p	19/04/01	19/04/04	19/04/11	08/05/06	42,700	790.00p	790.00p	1,000.00p
		38,462	38,462	B	806.00p	09/04/02	09/04/05	09/04/12					
		38,461	38,461	C	806.00p	09/04/02	09/04/05	09/04/12					
		49,750	49,750	B	654.00p	02/10/02	02/10/05	02/10/12					
		49,750	49,750	C	654.00p	02/10/02	02/10/05	02/10/12					
		50,000	50,000	B	669.00p	01/10/03	01/10/06	01/10/13					
		50,000	50,000	C	669.00p	01/10/03	01/10/06	01/10/13					
	PSP	44,547	44,547	D	n/a	07/12/04	07/12/07	07/12/07					
		22,274	22,274	E	n/a	07/12/04	07/12/07	07/12/07					
		38,269	0	D	n/a	07/10/05	07/10/08	20/10/08					
		19,135	0	E	n/a	07/10/05	07/10/08	20/10/08					
	CIP	51,680	0	F	n/a	25/10/05	25/10/08	25/10/08					
	SAYE	1,795	1,795		525.00p	05/05/04	01/08/07	01/02/08					
	DSS	0	9,147		0.10p	24/10/02	24/10/05	24/09/09	25/10/05	9,147	0.10p	720.50p	901.23p
		18,091	18,091		0.10p	24/10/03	24/10/06	24/09/10					
		17,922	17,922		0.10p	07/12/04	07/12/07	07/11/11					
	TI 90 ESOS	14,264	14,264		1,097.82p	02/04/97	02/04/00	02/04/07					
		18,691	18,691		1,219.80p	08/09/97	08/09/00	08/09/07					
		14,756	14,756		1,026.67p	13/03/98	13/03/01	13/03/08					
		0	4,918		849.79p	06/08/98	06/08/01	06/08/08	09/01/06	4,918	849.79p	849.79p	1,011.50p
		0	51,401		943.31p	11/03/99	11/03/02	11/03/09	09/01/06	51,401	943.31p	943.31p	1,011.50p
	TI 99 ESOS	0	61,485		907.23p	24/05/99	24/05/02	24/05/09	09/01/06	61,485	907.23p	907.23p	1,011.50p

		Options and awards held on 5 August 2006	Options and awards held on 31 July 2005	Option and award data					Options exercised 2005/06				
Director	Scheme	Number	Number	Performance test	Exercise price	Grant date	Vesting date*	Expiry date	Exercise date	Number	Exercise price	Market price at date of grant**	Market price at date of exercise†
D P Lillycrop	95ESOS	0	42,700	A	790.00p	19/04/01	19/04/04	19/04/11	08/05/06	42,700	790.00p	790.00p	1,000.00p
		37,221	37,221	B	806.00p	09/04/02	09/04/05	09/04/12					
		37,220	37,220	C	806.00p	09/04/02	09/04/05	09/04/12					
		47,500	47,500	B	654.00p	02/10/02	02/10/05	02/10/12					
		47,500	47,500	C	654.00p	02/10/02	02/10/05	02/10/12					
		47,750	47,750	B	669.00p	01/10/03	01/10/06	01/10/13					
		47,750	47,750	C	669.00p	01/10/03	01/10/06	01/10/13					
	PSP	42,491	42,491	D	n/a	07/12/04	07/12/07	07/12/07					
		21,246	21,246	E	n/a	07/12/04	07/12/07	07/12/07					
		36,503	0	D	n/a	07/10/05	07/10/08	20/10/08					
		18,252	0	E	n/a	07/10/05	07/10/08	20/10/08					
	CIP	45,362	0	F	n/a	25/10/05	25/10/08	25/10/08					
	SAYE	1,539	1,539		645.00p	09/05/02	01/08/07	01/02/08					
		1,185	1,185		554.00p	08/05/03	01/08/08	01/02/09					
	DSS	0	8,876		0.10p	24/10/02	24/10/05	24/09/09	25/10/05	8,876	0.10p	720.50p	901.23p
		14,219	14,219		0.10p	24/10/03	24/10/06	24/09/10					
		21,750	21,750		0.10p	07/12/04	07/12/07	07/11/11					
	TI 90 ESOS	0	2,459		1,058.18p	15/04/96	15/04/99	15/04/06					
		11,067	11,067		1,121.20p	09/09/96	09/09/99	09/09/06					
		15,248	15,248		1,097.82p	02/04/97	02/04/00	02/04/07					
		19,675	19,675		1,219.80p	08/09/97	08/09/00	08/09/07					
		23,364	23,364		1,026.67p	13/03/98	13/03/01	13/03/08					
		0	17,953		849.79p	06/08/98	06/08/01	06/08/08	12/01/06	17,953	849.79p	849.79p	1,009.50p
		36,153	36,153		943.31p	11/03/99	11/03/02	11/03/09					
	TI 99 ESOS	0	61,731		907.23p	24/05/99	24/05/02	24/05/09	12/01/06	61,731	907.23p	907.23p	1,009.50p
A M Thomson	95 ESOS	0	20,569	A	632.00p	20/12/95	20/12/98	20/12/05	14/12/05	20,569	632.00p	632.00p	1,008.50p
		0	22,989	A	823.00p	25/10/96	25/10/99	25/10/06	08/05/06	22,989	823.00p	823.00p	1,000.00p
		21,590	21,590	A	934.00p	17/10/97	17/10/00	17/10/07					
		31,982	31,982	A	765.00p	21/10/98	21/10/01	21/10/08					
		24,790	24,790	A	858.50p	01/10/99	01/10/02	01/10/09					
		31,598	31,598	A	807.00p	01/12/00	01/12/03	01/12/10					
		26,250	26,250	A	790.00p	19/04/01	19/04/04	19/04/11					
		44,665	44,665	B	806.00p	09/04/02	09/04/05	09/04/12					
		44,665	44,665	C	806.00p	09/04/02	09/04/05	09/04/12					
		60,500	60,500	B	654.00p	02/10/02	02/10/05	02/10/12					
		60,500	60,500	C	654.00p	02/10/02	02/10/05	02/10/12					
		60,875	60,875	B	669.00p	01/10/03	01/10/06	01/10/13					
		60,875	60,875	C	669.00p	01/10/03	01/10/06	01/10/13					
	PSP	54,142	54,142	D	n/a	07/12/04	07/12/07	07/12/07					
		27,071	27,071	E	n/a	07/12/04	07/12/07	07/12/07					
		46,512	0	D	n/a	07/10/05	07/10/08	20/10/08					
		23,256	0	E	n/a	07/10/05	07/10/08	20/10/08					
	CIP	55,414	0	F	n/a	25/10/05	25/10/08	25/10/08					
	SAYE	0	2,775		608.00p	10/05/01	01/08/06	01/02/07	01/08/06	2,775	608.00p	822.50p	894.00p
	DSS	0	10,652		0.10p	24/10/02	24/10/05	24/09/09	25/10/05	10,652	0.10p	720.50p	901.23p
		15,709	15,709		0.10p	24/10/03	24/10/06	24/09/10					
		22,771	22,771		0.10p	07/12/04	07/12/07	07/11/11					

Key

95 ESOS	The Smiths Industries 1995 Executive Share Option Scheme
PSP	The Smiths Group Performance Share Plan
CIP	The Smiths Group Co-Investment Plan
SAYE	The Smiths Group Sharesave Scheme
DSS	The Smiths Industries Senior Executive Deferred Share Scheme
TI 90 ESOS	The TI Group (1990) Executive Share Option Scheme
TI 99 ESOS	The TI Group 1999 Executive Share Option Scheme

Performance tests

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

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

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

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

Notes

The high and low market prices of the ordinary shares during the period 1 August 2005 to 4 August 2006 were 1068p and 820p respectively.

The mid-market closing price on 31 July 2005 was 958.5p and on 4 August 2006 was 897.5p.

The mid-market closing prices of a Smiths share on the dates of awards made under the PSP and CIP in the 2005/06 financial year were 937p (PSP award on 07/10/05) and 886.5p (CIP award on 25/10/05).

Of the 2.096m shares under options granted to and held by directors under the executive and savings-related share option schemes operated by the Company at 5 August 2006, 1.921m shares were granted at exercise prices above the market price of a Smiths Group share on 26 September 2006 (886.5p) and 0.175m shares were at exercise prices below the market price on that date.

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

The option granted to Mr D P Lillycrop under the TI 90 ESOS on 15 April 1996 lapsed on the 10th anniversary of the date of grant: no other options or awards held by any director lapsed during the period 1 August 2005 to 5 August 2006.

No other Director held any options over the Company's shares during the period 1 August 2005 to 5 August 2006.

On 9 August 2006 Dr J Ferrie exercised his 2001 Issue SAYE option. The option granted to Mr D P Lillycrop under the TI 90 ESOS on 9 September 1996 lapsed on the 10th anniversary of the date of grant. No other options or awards have been granted or exercised or have lapsed during the period 6 August to 26 September 2006.

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

Options granted under the 95 ESOS can only be exercised after three years if a performance requirement, determined by the Remuneration Committee, has been met. Options granted under the 95 ESOS up to 2001 were subject to performance testing based on total shareholder return of the Company versus the total return of the General Industrials Sector of the FTSE All Shares Index. Options granted from 2002 are subject to a performance test based on growth in the Company's earnings per share. If the performance requirement is not satisfied at the end of the third year, the performance period may be extended for up to two further years so that performance is tested over a four-year period at the end of the fourth year and a five-year period at the end of the fifth year. The performance requirement is that the growth in the Company's normalised earnings per share over the three/four/five financial years beginning immediately prior to the option grant must exceed the increase in the UK Retail Prices Index over the same period by 3% per annum (for options up to one times base salary) and by 4% per annum (for the excess up to two times base salary).

Under the DSS executive directors were able to use their after tax bonus to purchase the Company's shares at the prevailing market price. At the end of a three year period, if the Director is still in office, he can exercise an option granted to him over matching shares, in respect of any shares retained for that period. The number of matching shares awarded was determined by the Committee at the end of the year in which the bonus was earned by reference to annual bonus, and other corporate financial criteria. The last grant under the DSS was made on 7 December 2004, in respect of bonus earned in the year to 31 July 2004, and matched shares purchased in the market by the grantee on that day. At 5 August 2006 the trustee of the DSS held 670,086 shares for the benefit of senior executives (including the directors as disclosed above). The market value of these shares at that date was £6.01m and dividends of approximately £228,229 were waived in the year in respect of the shares.

There are no performance criteria for the SAYE, DSS, the TI 90 ESOS or the TI 99 ESOS.

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