

A close-up photograph of a man with a beard and safety glasses, focused on working on a cable. He is holding a green braided cable with multiple metal connectors. The background is dark and blurred, showing some industrial equipment. The overall lighting is dramatic, with highlights on the man's face and the cable.

smiths

ANNUAL REPORT & ACCOUNTS FY2026

175 YEARS OF
SMITHS



ENGINEERING A BETTER FUTURE

For 175 years, Smiths has pushed the boundaries of engineering capability, constantly evolving, innovating and helping customers perform when it matters most.

From the company's origins in precision timekeeping to the advanced components supporting the historic Artemis II moon mission, Smiths products have shaped the future of transport, energy, industrial processes and other human endeavour.

Today, we are a focused, premium industrial engineering business specialising in high-performance technologies in flow control, construction, thermal solutions and aerospace. We continue to pioneer progress through innovation, engineering excellence and the skills of our people.

Engineering a better future is our purpose. It unites our people, shapes the way we think and act, and drives us to create lasting value and sustain growth in the future.

How to navigate this report

Throughout this report you will find navigational tools for additional information in the report and on our website.



Supporting data and insights



Additional content on our website



Additional content in the report



Highlights and quotes from our team



ABOUT THIS REPORT

This is the Smiths Group plc Annual Report & Accounts FY2026.

Data presented in this report is for continuing operations for the 12 months to 31 July 2026 unless otherwise stated.

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OVERVIEW

Engineering a better future
FY2026 highlights

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STRATEGIC REPORT

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FY2026 HIGHLIGHTS



ROLAND CARTER
Chief Executive Officer



2026 was a year of significant strategic progress. We transformed our portfolio and unlocked over £3bn of value which repositioned Smiths as a focused, premium industrial engineering company. We delivered a resilient performance with growth in revenue, profit and margin, and strong cash generation in the face of ongoing macro uncertainty.

Over several years, we have purposefully aligned our business to attractive end-markets and demand trends that offer structural long-term growth. Supported by a strong balance sheet and a high proportion of aftermarket and recurring revenue, our focus is to accelerate organic growth, enhance innovation, execute with pace and discipline, and compound value through disciplined capital allocation.

As we enter FY2027, underlying market conditions remain challenging, but our robust order book and business momentum underpins our expectation of organic revenue growth of ~4% and further increasing our operating margin into our medium-term target range. The positive addition of DRC and data centre exposure, the structural tailwinds in global energy resulting from the anticipated response to energy security and the positive portfolio development in Flex-Tek supports our strong conviction that we will more quickly deliver our 5-7% organic growth target in the medium term. We are delivering significant value today while creating a clear pathway to substantial long-term value creation and sizeable returns for shareholders."

Significant year of strategic progress

- Organic revenue growth of +1.2%
 - John Crane: +2.3%; strong OE and Americas sales, whilst absorbing a ~£20m Middle East conflict impact
 - Flex-Tek: (0.4%); strong Aerospace offset by lower revenue from Construction and Thermal Solutions
- Headline operating profit margin expanded to 20.6%, alongside investment in growth initiatives; ROCE of 23.5%
- Acquired DRC Heat Transfer for £165m, extending Flex-Tek into high-growth cooling and data centre markets
- Divested Smiths Interconnect and Smiths Detection for a combined EV of £3.3bn, ahead of market expectations; sales agreed for three Flex-Tek industrial businesses for £40m as part of portfolio high-grading
- Stronger balance sheet at £1,747m net cash, enhanced by pension fund transactions; strong operating cash conversion
- Announcing today the launch of a process to divest the John Crane US legacy asbestos liability
- Disciplined and efficient execution of share buyback programme; £1.5bn buyback completed, £1.5bn still to be returned
- FY2027 guidance ~4% organic revenue growth; headline operating profit margin of ~21%
- Strong conviction in achieving medium-term 5-7% organic revenue growth and 21-23% operating profit margin targets

	Headline ³				Statutory		
	FY2026	FY2025	Reported growth	Organic ² growth	FY2026	FY2025	Reported growth
Continuing operations: Smiths¹							
Revenue	£1,937m	£1,898m	+2.1%	+1.2%	£1,937m	£1,898m	+2.1%
Operating profit	£399m	£388m	+2.7%	+1.9%	£289m	£347m	(16.6)%
Operating profit margin ⁴	20.6%	20.5%	+10bps	+20bps	–	–	–
EPS	86.8p	81.9p	+6.0%	–	49.5p	74.5p	(33.6)%
Operating cash conversion ⁴	96%	97%	(1)pps	–	–	–	–
Total Group¹							
EPS	135.7p	121.2p	+12.0%	–	628.8p	85.7p	+634%
Dividend per share	48.5p	46.0p	+5.4%	–	48.5p	46.0p	+5.4%

Statutory reporting and definitions

Statutory reporting takes account of all items excluded from headline performance. See accounting policies for an explanation of the presentation of results and note 3 to the financial statements for an analysis of non-headline items. The following definitions are applied throughout the financial report:

1 Total Group refers to the combination of John Crane, Flex-Tek (including certain general industrial businesses), Smiths Detection and Smiths Interconnect. Smiths and/or continuing operations refers to the combination of John Crane and Flex-Tek only (see note 28). All figures relate to 'Smiths' unless otherwise stated.

2 Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions.

3 Headline: In addition to statutory reporting, the Group reports on a headline basis. Definitions of headline metrics, and information about the adjustments to statutory measures, are provided in note 3 to the financial statements.

4 Alternative Performance Measures (APMs) and Key Performance Indicators (KPIs) are defined in note 30 to the financial statements.

CHAIRMAN'S STATEMENT



STEVE WILLIAMS
Chairman

Dear shareholders,

I am pleased to welcome you to Smiths FY2026 Annual Report.

FY2026 was a defining year for Smiths. As we marked 175 years since the company was founded, we also completed our strategic transformation to a focused, premium industrial engineering company.

The Board is highly encouraged by the progress made during the year. Smiths is now a higher-quality business, with stronger financial flexibility and a clear opportunity to deliver sustainable growth and attractive returns for shareholders.

At the beginning of 2025, we announced our intention to reshape the Smiths portfolio and unlock value through the separation of Smiths Interconnect and Smiths Detection. Both transactions were completed in FY2026 at attractive valuations of 15.1x and 12.5x FY2025 EBITDA respectively, generating £3.3bn of enterprise value. These divestments have materially strengthened the company's financial position and given us greater capacity to invest in growth while returning substantial capital to shareholders.

Consistent with our previously stated intention, the Board considered a range of mechanisms for returning capital, including share buybacks, tender offers and special dividends. We concluded that share buybacks, alongside the retention of capacity for future acquisitions, offered the right balance of flexibility, discipline and value for shareholders. Following completion of the FY2025 share buyback programme in December, we launched a new £1bn programme funded from the proceeds of Smiths Interconnect. This programme has been completed and will be followed by a further £1.5bn programme from the proceeds of Smiths Detection. We have also increased the dividend again this year.

Our approach to capital allocation remains unchanged: disciplined investment in organic growth and value-accretive acquisitions, balanced with appropriate returns to shareholders. We will continue to keep the portfolio under review, including the recent exit of selected non-core Flex-Tek industrial businesses, and to address legacy liabilities where doing so enhances free cashflow and long-term value.



The divestments of Smiths Interconnect and Smiths Detection have materially strengthened the company's financial position and capacity to invest in growth.

Business performance and outlook

Our continuing businesses, John Crane and Flex-Tek, delivered a resilient performance in FY2026. Organic revenue grew 1.2% despite geopolitical uncertainty affecting energy markets and continued weakness in US construction. Headline operating profit increased 1.9% organically, resulting in a margin of 20.6%, approaching our medium-term target range of 21-23%. These businesses serve attractive markets in flow control, thermal solutions, construction and aerospace, each supported by fundamental long-term demand drivers and expected annual growth of 4-5% over the medium term. Smiths is well positioned to benefit from these trends and to outperform through our relaunched strategic priorities: accelerating growth initiatives; innovating for differentiation and growth; executing with focus through customer orientation and Smiths Excellence; and compounding value through disciplined M&A such as the recent acquisition of DRC Heat Transfer.

Looking ahead, the Board is confident that Smiths can make further progress against each of its medium-term targets in FY2027, build resilience through the cycle and deliver the premium industrial financial profile to which we are committed.



Markets and megatrends

Read more about our markets and the trends driving them

Page 4

CHAIRMAN'S STATEMENT CONTINUED

People and culture

The strength of Smiths is rooted in its people and culture. Culture is an important driver of performance, and the Board was pleased to take part in a comprehensive review to identify the cultural characteristics that will help us build lasting competitive advantage. We were also encouraged by the improvement across every measure in this year's employee engagement survey. Talent and skills will be central to our future success, and we are using data more effectively to anticipate future needs and align skills development, recruitment and early careers programmes with our product, technology, process, materials and manufacturing roadmaps.

We also wish to make a positive contribution beyond the business. To mark our 175th anniversary, the Board approved an £18.51m (reflecting our founding year) expansion of the invested fund available to the Smiths Foundation. The Foundation's first scholarship fund was awarded in July to Aston University in Birmingham to provide 45 scholarships in mechanical engineering, manufacturing, AI and other STEM-related degree subjects. The scholarships will support students who are the first in their families to attend university and those from lower-income households. Aston's proximity to our new Birmingham office, together with its strong representation of students from lower-income and disadvantaged communities, makes it a natural partner for the Foundation's objectives and for our ambition to build stronger links with future talent. Similar partnerships are being discussed with further education providers in the US and Mexico, and the Foundation will continue to support colleague-nominated charities and environmental protection, restoration and biodiversity projects.

Changes to the Board

The composition of the Board has also evolved during the year. Following the retirement of Mark Seligman, Noel Tata and Karin Hoeing at the 2025 AGM, we initiated a search for a new Non-executive Director, resulting in the appointment of Laurence Mulliez, who joined the Board on 1 September 2026. After the Board's strategy review in May 2026, and mindful of the future needs of the company, we undertook a further search and recommended the appointments of Val Rahmani and Emma FitzGerald, who will join the Board in October and November, respectively. Each brings complementary skills and experience which will strengthen the breadth of perspective around the Board table as we execute our strategy. Laurence brings extensive strategic and sustainability experience; Val brings deep expertise in technology, cyber security, digital and AI; and Emma adds significant customer-led innovation experience across the energy, industrials and infrastructure sectors.

On behalf of the Board, I warmly welcome Laurence, Val and Emma, and thank Mark, Noel and Karin for their significant contributions during their tenures. I also thank my fellow Directors for their counsel and commitment during a year of considerable change. Together, we have overseen the successful delivery of major strategic milestones that position Smiths strongly for the future.

Finally, I would like to thank all Smiths colleagues for their resilience, professionalism and commitment throughout the year, including those colleagues who have moved with Smiths Interconnect and Smiths Detection. Their contribution has been central to what we have achieved and to the strong position from which Smiths now moves forward.

Steve Williams

Chairman

Investment case

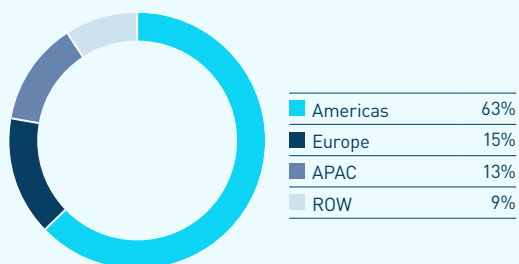
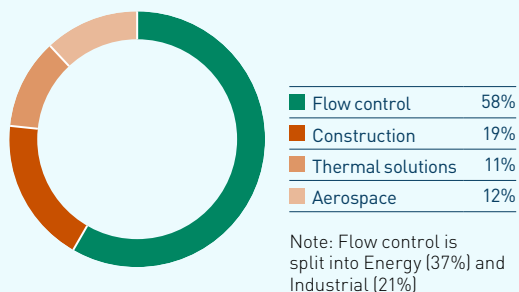
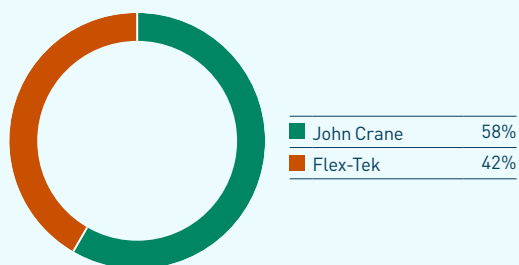
A focused, premium industrial engineering company

- 1. Strong market positions supported by structural growth trends with clear competitive advantages and growth prospects**
- 2. Driving innovation to meet evolving customer needs and support growth**
- 3. A customer-centric operating model with a high proportion of aftermarket and recurring revenue**
- 4. A disciplined approach to capital allocation and growth investment, targeting attractive organic growth opportunities and value-accretive M&A**
- 5. A high-performing culture with capabilities that deliver competitive advantage**
- 6. A premium industrial financial profile – sustainable growth, high returns, strong cash generation and balance sheet strength**

MARKETS AND MEGATRENDS

Our businesses serve attractive end markets supported by powerful structural megatrends and robust market drivers in each business area.

Business revenue split



Structural megatrends

Productivity and sustainability

- advancing technology-enabled systems, resource efficiency and decarbonisation

Geopolitical volatility

- reshaping markets, supply chains and regulatory environments

Energy demand and energy security

- accelerating investment in secure, reliable, efficient and diversified energy systems

Industrial electrification

- transforming industrial processes, transport and building design

Housing availability and affordability

- driving demand for new and more efficient homes

Aviation growth

- resulting in fleet expansion, demand for parts and technical services and new platforms in commercial, space and defence

Market drivers

Products

Flow control

Mechanical seals
Systems and controls
Filtration systems
High-performance couplings

Construction

Flexible ducting for heating, ventilation and air conditioning (HVAC)
Metal HVAC ducting and components
Corrugated stainless steel tubing (CSST) for gas
Refrigerant line-sets

Thermal solutions

Electric industrial heating
Heat transfer and cooling systems

Aerospace

Rigid tube assemblies
High precision manifolds
Flexible hoses
Custom hose systems

Market drivers

- Energy security
- Process resilience
- Energy transition
- Industrial capex
- Performance efficiency
- Environmental concerns

- US housing demand
- Growth in commercial
- Performance efficiency
- Environmental concerns

- Industrial process electrification
- Process efficiency and cost
- Data centre growth

- Air travel demand
- Commercial aircraft backlog
- Growth in space and defence platforms

Business growth opportunities

- Energy with next generation products and digital
- Leadership position in energy transition
- Target select industrial markets and geographies
- Aftermarket excellence

- HVAC adjacencies and integrated systems
- Geographic expansion
- New products
- Transition out of low growth industrial

- Data centre cooling
- Integrated/customised industrial heating solutions
- Ultra-high temperature electrical heat >1200°C
- Aftermarket offer

- Grow key platforms
- Target new aircraft/engine positions
- Expand geographical reach
- Expand maintenance, repair, overhaul (MRO)/aftermarket
- Custom solutions for space and defence

OUR BUSINESS MODEL

Building on strong foundations, our business model activates the critical levers that strengthen resilience and increase our agility to capture opportunities to drive lasting value and sustainable growth.

1. Customer-centric businesses

Our two businesses operate close to the customer, delivering growth through customer focus and innovation. They are operationally empowered and own commercial strategy, operational execution and talent.

John Crane

A global leader in mission-critical technologies and services that drive efficiency, safety and sustainability in energy and large-scale industrial processes.

Flow control

Builds and maintains an extensive installed base of customised mechanical seal solutions that drive a quality, service-based, cash generative aftermarket that often lasts for >20 years.

- Market leading positions
- Differentiated proprietary technologies and expertise across industries
- Deep customer intimacy
- Predictable aftermarket – global network of field service capability and expertise

[Read more on Page 15](#)

Flex-Tek

Innovative engineered components for safe, efficient, heating, cooling and movement of liquids and gases.

Construction

Leading customer service and deep relationships with wholesale distributors that strengthen geographical coverage across North America and scale growth from new products.

- Top 3 US market position with scale in a fragmented market
- Capacity and opportunity to leverage further
- Trusted relationships with customers and distributors

Thermal solutions

Solutions-led, with a wide range of low to high temperature customised heating applications for industrial electrification, enabling customers to upgrade their processes for efficiency, safety and sustainability.

- Broad low to high temperature product range
- Limited competitor expertise/ footprint
- Data centre exposure

Aerospace

Customer service, product innovation and manufacturing capability strengthen positions on commercial and defence platforms alongside margin and relationship enhancing aftermarket services.

- Trusted partner reputation
- Platform incumbency with high barriers to entry and long pipeline tail
- Agility in custom engineered solutions

[Read more on Page 16](#)

2. Lean corporate centre

Our corporate centre steers business growth and creates value through targeted investment in opportunities and the enablers of success.

1. Drives strategy and operating performance of businesses

[Read more on Page 9](#)

2. Allocates capital, M&A and integration

[Read more on Page 10](#)

3. Incentivises delivery

[Read more on Page 77](#)

4. Shapes culture

[Read more on Page 22](#)

5. Promotes Smiths Excellence and cross-collaboration for competitive advantage

[Read more on Page 6](#)

6. Ensures governance and compliance

[Read more on Page 28](#)

OUR BUSINESS MODEL CONTINUED

3. How are we driving competitive advantage?

A high-performing culture

Our culture is a powerful driver of performance, inspiring Smiths colleagues every day to contribute, innovate and excel.

It creates the environment that enables us to deliver sustainable competitive advantage through the collective strength of our people.

In FY2026, we undertook a comprehensive review of our culture to assess its strengths and identify the opportunities that will help us realise our future ambitions. This work is shaping an investment strategy and roadmap focused on strengthening the cultural drivers that matter most including trust, empowerment, accountability, a shared sense of purpose and innovation. We report key culture and engagement measures through the Smiths scorecard.

Underpinning this culture are our Values, which were refreshed during the year to ensure they continue to reflect who we are, how we work together, and the behaviours that will drive our success in the years ahead.

Customer Focus

We deliver, innovate and grow with our customers

Respect

We build trust by respecting others

Safety

We ensure safety is our foundation

Ownership

We are accountable, capable & empowered

Integrity

We win the right way

 **The Smiths Values**
Engineering a better future

Operational excellence

Smiths Excellence is our common approach to continuous improvement, providing a shared language and disciplined framework for improving performance across Smiths.

Built on Lean and Six Sigma principles, it empowers teams to challenge the status quo, eliminate waste, address root causes and unlock greater value.

Embedded across our operations and functions, Smiths Excellence combines proven tools, performance scorecards and capability development to identify, accelerate and deliver high-impact improvements. These initiatives help us increase speed to market, enhance productivity, improve quality and advance our sustainability ambitions.

The strength of Smiths Excellence lies in our people. Many colleagues hold Green or Black Belt accreditations, and the Excellence mindset is embedded through training and development opportunities and Yellow Belt projects available to all colleagues. By equipping our teams at the grass roots with the problem-solving skills and confidence to drive change, we are maturing our Lean journey and creating a culture where continuous improvement is everyday work.

In FY2026, Smiths Excellence continued to deliver measurable impact across the business, helping us to operate systematically to improve margins, strengthen customer outcomes and accelerate performance.

OUR BUSINESS MODEL CONTINUED

3. How are we driving competitive advantage? continued**A different approach to innovation**

Innovation is a key driver of differentiation, enabling customisation and the extension of solution lifecycles while strengthening pricing power and margin resilience.

Our approach combines sustained investment in product development with disciplined commercialisation, ensuring that new ideas are translated into tangible growth opportunities.

To enhance our innovation capability, we have developed five-year roadmaps across products, technology, process, materials and manufacturing, with a renewed emphasis on digital, AI and supply chain excellence. These are supported by skills roadmaps to identify capability gaps and unlock opportunities for collaboration across our businesses, alongside early career programmes designed to build the talent and expertise needed for the future.

We are also strengthening our innovation ecosystem. A senior technical community meets monthly to share expertise and catalyse progress and our partnership with the UK Manufacturing Technology Centre is being scaled further. At the same time, we are introducing a standard product lifecycle process, incorporating eco-design, to accelerate new product development (NPD) and commercialisation, supported by a planned programme centre of excellence to enhance delivery discipline across Smiths.

Finally, we are launching a new innovation framework fully connected with Smiths Excellence. The framework will embed a methodical, customer-led, problem-driven approach to innovation, creating a repeatable engine that ensures efforts are focused on value-enhancing NPD.

Talent and capabilities

Our success depends on building the critical capabilities that will power future growth.

By identifying and strengthening the skills most important to our strategy – including innovation, M&A and integration, programme management, Excellence and Lean, enterprise IT and people leadership – we are creating a strong, future-ready talent pipeline across the business.

A key focus is ensuring our leaders have the capability to drive innovation, accelerate growth in our core markets and deliver outstanding performance. Alongside this, we are building talent resilience through targeted capability development and robust succession pipelines, ensuring we have the right talent in place today and for the future.

We are also aligning skills development with our product, technology, process materials and manufacturing roadmaps, enabling our people to develop the expertise needed to support evolving priorities. Early careers programmes in key locations are helping us attract and develop the next generation of talent, while performance-based reward arrangements recognise and incentivise high achievement and growth.

Underpinning these efforts is continued investment in data, digital tools and systems that enhance efficiency, provide deeper workforce insights and enable both better leadership and data-driven decision-making.

M&A

Recycling the strong cashflow generated by the business to fund M&A opportunities continues to upgrade the quality of the portfolio and enhance the strategic positioning of Smiths.

We have an active pipeline of potential acquisitions, prioritising bolt-on acquisitions that accelerate growth, margins and capabilities in adjacent markets as well as selective early-stage investments to provide faster access to emerging technologies and new markets.

Financial discipline remains paramount, with a commitment to delivering an appropriate return and maintaining leverage at a level that sustains an efficient balance sheet and an investment grade credit rating. Equally important is rigorous execution on integration, ensuring acquired businesses deliver their intended value and contribute seamlessly to growth and margin.

CEO REVIEW



ROLAND CARTER
Chief Executive Officer

Smiths is a high-quality business with clear strategic priorities, a strong financial profile of sustainable growth, and structurally higher margin and cashflow return.

BUSINESS UPDATE

Smiths – a focused, premium industrial engineering company

FY2026 was a transformational year for Smiths as we celebrated the company's 175th year anniversary. We completed the divestments of Smiths Interconnect and Smiths Detection, crystallising significant shareholder value and repositioning Smiths as a focused, premium industrial engineering company. The transactions were completed at attractive valuations of 15.1x and 12.5x FY2025 EBITDA, respectively, generating £3.3bn of enterprise value, substantially strengthening our financial flexibility and delivering market-leading, enhanced returns to shareholders.

The actions we have taken create a focused Smiths, with a higher-quality portfolio, clear strategic priorities, a strong financial profile of sustainable attractive growth, and structurally higher margin and cashflow returns. Smiths is a high-quality business with leading market positions, where significant aftermarket and recurring revenues provide resilience through economic cycles, to deliver sustainable returns.

Financial performance

For FY2026, we delivered a resilient financial performance against the backdrop of significant end-market disruption in global energy and US residential construction markets.

- Organic revenue grew +1.2%:
 - John Crane grew +2.3% with a strong performance in the Americas, in original equipment sales and in dry gas seals. Growth was negatively impacted by ~£20m due to the conflict in the Middle East; growth excluding this impact was ~4%;
 - Flex-Tek declined (0.4)% with strong aerospace growth more than offset by declines in the HVAC US residential construction market and lower revenue in Thermal Solutions;
- Headline operating profit grew +1.9% organically to £399m, ahead of expectations, with headline operating profit margin expanding to 20.6% and a return on invested capital of 23.5%;

- Strong cash generation with operating cash conversion of 96%;
- Strong headline EPS growth of +12.0% on a reported basis, where growth in underlying earnings was further enhanced by the share buyback programme and acquisitions.

Strong market positions aligned to structural growth trends

The repositioned portfolio is exposed to several powerful global trends in structurally attractive markets across flow control, construction, thermal solutions and aerospace. These are supported by long-term fundamental demand drivers that underpin overall market growth expectations of 4-5% over the medium term.

- Energy demand and security (~5% CAGR) – the heightened focus on energy security, resilience and supply diversification and greater investment in critical energy infrastructure strengthens the medium-term growth outlook, creating a positive backdrop for John Crane. While the Middle East conflict is creating near-term volatility, John Crane's strong regional presence and critical role in customer recovery efforts ideally position the business to support them. In energy transition, the development of hydrogen, carbon capture, geothermal and other technologies provide attractive growth areas where John Crane is well positioned.
- Housing availability and affordability (~5% CAGR) – population growth and the shortage of US housing continues to support long-term demand in the US residential construction market. Affordability pressures and higher interest rates are weighing on near-term demand, so whilst the timing and pace of recovery remains uncertain, the longer-term opportunities remain positive. Flex-Tek's innovative products, wide geographic presence and strong distributor relationships position the business well for recovery and future growth.
- Industrial electrification (~6% CAGR) – is a powerful long-term growth driver, underpinned by the electrification of industrial processes, industrial decarbonisation, automation and energy efficiency. Manufacturers are accelerating the transition from



Markets and megatrends

Read more about our markets and the trends driving them
Page 4

CEO REVIEW CONTINUED

fossil fuel-based systems towards electric thermal solutions. Rapid investment in data centres and digital infrastructure is driving significant demand for power generation and thermal management solutions. The recent acquisitions of Wattco and DRC Heat Transfer in Flex-Tek's Thermal Solutions pillar notably expanded our exposure to these highly attractive growth opportunities.

- Aviation growth (~4% CAGR) – commercial and military aerospace demand remains strong, supported by growing passenger traffic, record multi-year aircraft backlogs and increasing defence expenditure. With high barriers to entry due to strict certifications and long platform cycles, qualified suppliers like Flex-Tek, with its advanced manufacturing and testing capabilities and long-term supply arrangements, are well placed to support this demand.

Underpinning these trends is the ongoing focus on productivity and sustainability. Demand for our products is driven by customers' desire to improve resource efficiency, drive production and reduce emissions. Whilst geopolitical uncertainty and volatility is increasingly the

new normality, our business model provides resilience to challenging conditions and the flexibility to take advantage of new opportunities as they emerge.

Smiths Growth Algorithm

Our leading market positions set us up to drive outperformance and deliver our medium-term, through-cycle, organic revenue growth target of 5-7%. Our Growth Algorithm strategy is centred on four strategic growth priorities – accelerate our growth initiatives, innovate with impact, execute relentlessly and compound value through disciplined capital allocation. These initiatives, alongside the positive addition of DRC and data centre exposure, the structural tailwinds in global energy resulting from the anticipated response to energy security and the positive portfolio development in Flex-Tek, supports our strong conviction that we will more quickly deliver our 5-7% organic growth target in the medium term.

Accelerate

We are accelerating the pace of delivery of our strategic growth initiatives and increasing investment behind the highest return opportunities. By strengthening our

product offering, strategic pricing, expanding into higher-growth adjacencies and investing in commercial excellence, we expect to drive above market growth.

During FY2026, this included targeted expansion into higher growth geographies and customer opportunities.

- In John Crane, our strong market position in the US and Latin America ensured we captured the higher growth in these markets, with further plans to expand our presence here; leveraging our portfolio and leadership position in gas projects to benefit from record investment saw wins in LNG and NGL projects; and our focus on aftermarket growth enabled us to capture important contract wins in energy and chemicals supported by our Performance Plus framework (see John Crane business review for further detail);
- In Flex-Tek, targeted customer initiatives in US residential construction drove a strong fourth quarter performance; Thermal Solutions advanced a number of notable electrification opportunities and new platform projects; and in Aerospace, long-term contract renewals delivered higher price and growth in overall shipset on key engine platforms (see Flex-Tek business review for further detail).

Innovate

Innovation is a key source of differentiation, and we continue to invest to increase the quantum and pace of impact to deliver growth and competitive advantage. Our approach combines sustained investment in product development with disciplined commercialisation, ensuring that new product concepts are translated into tangible growth.

We develop and apply five-year innovation roadmaps for each business, spanning technology, products, materials and manufacturing processes, that support both the evolution of existing product for new performance requirements and applications, and the development of new, differentiated offerings.

**Medium-term targets**

See our medium-term targets
Page 11

The growth algorithm

Our strategy to deliver sustainable growth, high returns and strong cash generation through the cycle:

1. Accelerate

Accelerate organic growth through maximising the core and targeted investment into new opportunities

2. Innovate

Innovate to meet customer needs, drive customer intimacy and deliver growth

3. Execute

Execute relentlessly, applying Smiths Excellence and investing in people, processes and systems

4. Compound

Invest free cashflow into value-accretive acquisitions that will **compound** growth and value

CEO REVIEW CONTINUED

Examples during FY2026 include:

- John Crane's Type 93AX separation seal with reduced nitrogen consumption for safer and more sustainable operations; and the ongoing installation of nine new test rigs to provide capability for the testing at higher pressure and speeds for more demanding applications such as hydrogen;
- Flex-Tek drove operational improvement in the production of the HVAC Blue series by the introduction of a heat-tunnel system that enhances quality of the foam and reduces machine cycle times; Wattco is working with a US company on a customised energy storage solution; and in Aerospace, we continue to work with customers in the development of new high-pressure hoses, boosted by new equipment capability in our production facilities.

Execute

Operational excellence is foundational to growth and value creation. Following the portfolio simplification, Smiths operates through focused business units supported by a lean corporate centre focused on capital allocation, driving and incentivising performance, and promoting a culture of performance, excellence, safety and ethics.

Smiths Excellence is increasingly embedded across the business, with a focus on lean tools, manufacturing processes, automation and supply chain resilience to underpin consistent execution and operational delivery.

During the year, execution of the Acceleration Plan delivered benefits through site consolidation and footprint optimisation, process standardisation, ERP harmonisation and automation. We incurred costs of £27m, taking the total spend to £43m, and to date have delivered £20m of annual plan benefits, remaining on track to achieve the FY2027 annualised target of £30-35m.

Through this period of transformation, we are strengthening the culture to build a more agile, empowered and accountable organisation focused on delivering for our customers. Our refreshed Smiths

Values reinforce our commitment to safety and wellbeing, and investment in talent development, career pathways and succession planning is focused on building the leadership and engineering capabilities to support long-term growth.

Compound

M&A is the final component of our Growth Algorithm, compounding organic growth. This approach has been demonstrated in Flex-Tek which over the past eight years has delivered double-digit compound annual revenue growth. Acquisition returns have notably exceeded cost of capital and are delivering significant value creation under Smiths ownership. This has broadened the geographic coverage in Construction and shifted the mix of Flex-Tek revenue, with a larger contribution in particular from Thermal Solutions, now around a third of annualised revenue.

We have clear criteria for the strategic and financial characteristics of the targets and have a pipeline of opportunities across multiple vectors. The acquisition of DRC Heat Transfer in April 2026 demonstrates this approach in action. The business expands Flex-Tek's thermal management capabilities, adds exposure to the fast-growth data centre market, and creates opportunities for commercial and operational synergies across Smiths. With pro-forma growth in FY2026 of more than 20% and the market expected to grow 20-25% through 2030, we are actively investing in people, capabilities, capacity and processes to scale for customer demand and support this new high-growth opportunity.

Our capital allocation framework –
deploying cashflow to deliver growth and returns

Organic investment

RD&E¹ 3-4% of revenue

Capex 2-3% of revenue

Commercial and strategic growth initiatives

Value-accretive acquisitions

Higher-growth market adjacencies

Expand into attractive growth opportunities

Driving growth and returns

Portfolio management

Divest non-core assets

Address legacy liabilities

Strengthen balance sheet

Enhance FCF conversion

Progressive dividend policy

Average growth of +5.2% in past 5 years

75 consecutive years of dividend payments

Enhanced shareholder returns

Return surplus capital

Ongoing share buyback programme potential

Supported by strong balance sheet and solid investment grade credit rating

¹ Including John Crane's customer-specific engineering-related projects.



75th

Successive year of dividend payments



Business review

Read more about how our businesses are supporting the growth algorithm

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CEO REVIEW CONTINUED

Disciplined capital allocation

Our capital allocation strategy prioritises growth investment, both organically and inorganically, to deliver enhanced returns to shareholders.

- Organic growth – RD&E (research, development and engineering, 3-4% of revenue) and capital expenditure (2-3%) supports continued investment into organic growth opportunities. We continue to identify opportunities to expand investment, whilst delivering operating margin in the medium-term target 21-23% range.
- Value-accretive acquisitions – our strategy is to recycle generated free cashflow into acquisitions in high-growth adjacencies to compound organic growth. We will invest inorganically in businesses that align with, or are adjacent to, our existing portfolio, in attractive long-term market sub-segments supported by structural trends.
- Portfolio management – we continue to evaluate the shape of the portfolio and exit non-core activities. This year, we elected to divest four Flex-Tek industrial businesses, with sales agreed for three of them for a combined value of £40m, with two of the sales completed in FY2026.
- Progressive dividends – in alignment with our progressive dividend policy, the Board is recommending a dividend increase of +5.4%, the 75th year of successive dividend payments.
- Enhanced shareholder returns – the portfolio reshaping has enabled enhanced returns to shareholders, with £2.6bn returned in the past five years. Following the completion of the FY2025 £500m share buyback programme in December, a further £1bn related to the proceeds from the sale of Smiths Interconnect has now been returned. A further £1.5bn is still to be executed in relation to the Smiths Detection proceeds and is expected to be substantially completed by end of calendar year 2027. The General Meeting held in July to increase our authority to repurchase shares demonstrates our desire to action this at pace.
- Balance sheet strength – we look at means to strengthen our balance sheet and improve the quality of our free cashflow. During the year, we

completed the buy-in of the Smiths Industries Pension Scheme and buy-out of the TI Group Pension Scheme. We are also announcing today that our US John Crane business will begin a marketing process for the divestiture of its legacy asbestos liabilities. If successful, this transaction would remove the asbestos liability from the balance sheet, increase free cashflow and available capital and reduce earnings volatility.

These actions reflect our disciplined approach to capital allocation. We aim to operate an efficient balance sheet whilst retaining a solid investment grade credit rating. The issuance of a €650m bond during the year, to refinance the equivalent size bond maturing in February 2027, has provided liquidity to meet our future needs.

FY2027 outlook and medium-term guidance

We expect FY2027 organic revenue growth of around 4%, supported by a robust order book.

- John Crane is expected to see growth weighted to the second half of the year, and our outlook assumes continued disruption in the first half in the Middle East with growth in other regions, supported by our order book.
- Flex-Tek is expected to see growth weighted to the first half of the year. Our outlook assumes the US construction market will remain subdued, although we will continue to implement customer initiatives and price increases to drive performance. Thermal Solutions is expected to benefit from underlying business growth and the year-on-year comparator, supplemented by the DRC acquisition. In Aerospace, the strength of our order book and coverage supports a similarly positive outlook for the year.

The FY2027 headline operating margin is expected to be around 21%. We expect to enter our medium-term target range of 21-23% through operating leverage, achieving the remaining benefits of the Acceleration Plan and continued Smiths Excellence efficiency savings, alongside additional investment into strategic growth initiatives.

We expect headline operating cash conversion of low 90%.

Technical guidance	FY2027
FX headwind	
– Revenue	~(1)%
– Operating profit	~(1)%
Net finance expense	£10-15m
Effective tax rate	24-25%
Capital expenditure	~£65m
Pension contributions	~£10m

Medium-term targets

We remain committed to achieving our medium-term, through cycle, targets. Together with continued underlying performance, the positive addition of DRC and data centre exposure, the structural tailwinds in global energy resulting from the anticipated response to energy security driving growth in John Crane and the positive portfolio development in Flex-Tek supports our strong conviction that we will more quickly deliver our 5-7% organic revenue growth target in the medium term.

Medium-term targets (through-cycle)	Target
Organic revenue growth	5-7% (+ M&A)
Headline EPS growth	>10% (+ M&A)
Headline operating profit margin	21-23%
ROCE	>20%
Headline operating cash conversion	~100%

CFO REVIEW



JULIAN FAGGE
Chief Financial Officer

For FY2026, we delivered a resilient financial performance against challenging backdrops in energy and US construction.

Organic revenue grew +1.2% and operating profit margin expanded to 20.6%, alongside increased investment in growth initiatives. Return on invested capital was 23.5% and cash generation was strong, with operating cash conversion of 96%.

We maintain a disciplined approach to capital allocation to drive growth, financial returns and free cashflow, while retaining a strong balance sheet and a solid investment-grade credit rating.

Revenue (£m)	FY2026	FY2025	Reported	Organic
John Crane	1,130	1,115	+1.4%	+2.3%
Flex-Tek	807	783	+3.1%	(0.4)%
Smiths	1,937	1,898	+2.1%	+1.2%
Headline operating profit (£m)				
John Crane	270	265	+1.9%	+3.5%
Flex-Tek	170	169	+0.0%	(4.2)%
Central costs	(41)	(46)	(11.2)%	(10.7)%
Smiths	399	388	+2.7%	+1.9%
Headline operating profit margin (%)				
John Crane	23.9%	23.8%	+10bps	+30bps
Flex-Tek	21.0%	21.6%	(60)bps	(80)bps
Smiths	20.6%	20.5%	+10bps	+20bps

Revenue

Smiths revenue increased +1.2% on an organic basis and +2.1% on a reported basis to £1,937m (FY2025: £1,898m). This included £(32)m of negative foreign exchange translation and a +£49m contribution from the acquisitions of Modular Metal Fabricators, Inc ('Modular Metal'), Wattco, Inc ('Wattco'), Duc-Pac Corporation ('Duc-Pac') in FY2025 and DRC Heat Transfer ('DRC'), which completed in April 2026.

£m	FY2025	Foreign exchange	Acquisitions	Organic movement	FY2026
Revenue (continuing operations)	1,898	(32)	49	22	1,937

Organic revenue grew +2.3% in John Crane and together with a further +2.6% contribution from acquisitions. This was partly offset by a (0.4)% organic revenue decline in Flex-Tek and a (1.7)% impact from foreign exchange translation.

- John Crane growth reflected a resilient performance in energy against the backdrop of the Middle East conflict which had a ~£20m impact on revenue in the second half. Excluding this region, revenue growth was ~4%, reflecting mid-single digit growth in the Americas and good overall OE sales growth.
- Flex-Tek benefited from a strong performance in Aerospace reflecting volume growth from new build programmes and new contract renegotiations. This was offset by the impact of the weak US residential construction market on HVAC and Thermal Solutions and the completion of a large ultra-high heat contract. Momentum improved in the second half, with Flex-Tek delivering MSD growth in the fourth quarter.



Business reviews

Read more about John Crane and Flex-Tek
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CFO REVIEW CONTINUED**Operating profit**

Headline operating profit was £399m (FY2025: £388m); +1.9% (+£7m) on an organic basis, and +2.7% (+£11m) on a reported basis. Acquisitions contributed £12m to operating profit and were accretive to margin.

£m	FY2025	Foreign exchange	Acquisitions	Organic movement	FY2026
Headline operating profit (continuing operations)	388	(8)	12	7	399
Headline operating profit margin (continuing operations)	20.5%	(20)bps	10bps	20bps	20.6%

Headline operating profit margin was 20.6%, up +20bps on an organic basis and +10bps on a reported basis, demonstrating steady progress towards the medium-term target range of 21-23%. Margin improvement in John Crane and a reduction in central costs was partly offset by a margin decline in Flex-Tek.

- John Crane operating margin expanded +30bps organically, driven by increased pricing and positive mix, Smiths Excellence and Acceleration Plan benefits, alongside an increase in strategic growth investments;
- Flex-Tek's margin declined (80)bps organically, reflecting lower volume and mix impacts following the completion of a higher-margin heating project and the net impact from US tariffs.

ROCE decreased to 23.5% (FY2025: 24.5%), with the higher profitability more than offset by an increase in the capital base due to acquisitions and an FX impact.

Earnings per share

Total Group headline EPS grew +12.0% to 135.7p (FY2025: 121.2p). This included a £9m increase in headline finance costs to £36m due to the timing of the share buyback programmes during the year and a headline tax charge of £89m (FY2025: £82m), with a 24.4% effective tax rate.

Smiths Detection, Smiths Interconnect and certain general industrial businesses within Flex-Tek are classified as discontinued operations. The headline profit after tax contribution to earnings from the discontinued operations was £153m (FY2025: £133m). This reflected an eight-month contribution from Smiths Interconnect and 11 months from Smiths Detection.

Smiths continuing operations headline EPS for the year was 86.8p. (FY2025: 81.9p).

Cashflow

Headline operating cash conversion was 96% (FY2025: 97%), supported by the year-on-year improvement in profit and lower capex, with machining and test rig investment projects in John Crane now largely complete. Headline operating cashflow was £384m (FY2025: £377m) with the increase in operating profit and lower capex offset by working capital movements, reflecting an increase in inventory levels to underpin delivery of the order book and service customers as well as an increase in receivables, partly related to the impact from the conflict in the Middle East. Free cashflow generation decreased to £256m (FY2025: £336m) or 45% of reported underlying Group headline operating profit (FY2025: 58%), as a result of the divestments, and also reflecting costs of the Acceleration Plan and additional US pension contributions.

Capital allocation**Organic investment**

Investment in RD&E of £64m (FY2025: £63m) represented 3.3% (FY2025: 3.3%) of revenue. This included £41m (FY2025: £40m) on customer-specific engineering-related projects in John Crane.

Capex decreased to £39m (FY2025: £51m) and included investment in capacity and automation and initiatives under the Acceleration Plan.

Value-creative M&A

In April, we acquired DRC for £165m. DRC is being integrated into Flex-Tek's newly formed Thermal Solutions business and is consistent with the strategy of building into high growth adjacencies. DRC generated £35.5m in revenue in the four months of ownership.

Enhanced shareholder returns – share buyback and dividend

In December 2025, the £500m share buyback programme completed. A new £1bn programme was commenced to return a large portion of the proceeds from the sale of Smiths Interconnect, which has now completed. A further £1.5bn share buyback programme from the proceeds of the sale of Smiths Detection has now commenced. The Board is recommending a final dividend of 33.5p, a year-on-year increase of +5.4% bringing the total dividend for the year to 48.5p (FY2025: 46.0p). The proposed final dividend will be paid on 23 November 2026 to shareholders on the register at close of business on 16 October 2026.

Net debt and leverage

Smiths net cash at 31 July 2026 increased to £1,747m (FY2025: net debt of £462m), with the year-on-year movement reflecting the net proceeds from the divestments of Smiths Interconnect and Smiths Detection, partly offset by the share buyback programme and DRC acquisition.

As at 31 July 2026, borrowings were £1,204m (FY2025: £667m) comprising a €650m bond which matures in February 2027, a €650m bond which matures in 2033 and £104m of lease liabilities. There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 July 2026 were £2,956m (FY2025: £195m).

Together with an \$800m (£594m at the year-end exchange rate) revolving credit facility, which matures in May 2030, total liquidity was £3.6bn at the year end.

CFO REVIEW CONTINUED

Statutory results

Income statement and cashflow

The £110m difference (FY2025: £41m) between continuing operations headline operating profit of £399m and statutory profit of £289m are non-headline items. The largest of these relate to a legacy pension scheme settlement loss of £57m, the amortisation of acquired intangible assets of £33m, Acceleration Plan corporate restructuring costs of £27m, a £30m net credit for asbestos litigation provision in John Crane Inc, and £8m separation related expenses.

Discontinued operations include Smiths Interconnect, Smiths Detection and four Flex-Tek general industrial businesses. Statutory operating profit from discontinued operations was £1,660m higher than headline operating profit due to non-headline items. The largest of these relate to the £1,690m gain realised on the disposal of discontinued operations, partially offset by £11m of impairment losses recognised on the Flex-Tek general industrial businesses and £8m of Smiths Detection restructuring and separation related costs.

Total finance costs for continuing operations have increased by £14m to £44m (FY2025: £30m). This increase has been driven by an increase in debt during the year from the share buyback programme, offset in the second half of the financial year by the net proceeds from the divestments.

The statutory effective tax rate ('ETR') for the Group (including discontinued operations) was 6.7% (FY2025: 28.8%) and includes a non-headline tax credit of £4m (FY2025: £19m credit). The FY2026 statutory ETR was significantly influenced by material non-headline items including the non-taxable gains arising on the disposal of Smiths Detection and Smiths Interconnect, which both qualify for the Substantial Shareholding Exemption; non-deductible costs associated with these disposals and other M&A activity; and the settlement of the buy-in of the SIPS pension scheme.

Statutory profit after tax for the Group was £1,972m (FY2025: £292m) and statutory basic EPS was 628.8p (FY2025: 85.7p).

Statutory net cash inflow from operating activities for the Group was £241m (FY2025: £456m).

Pensions

During the year, £15m of pension contributions (FY2025: £11m) were made, which relate to funded, unfunded and overseas schemes and healthcare arrangements. Of this, £10m related to the US defined benefit pension plan.

In May 2026, the TIGPS trustee converted the existing buy-in policies to buy-out policies. The liabilities and corresponding assets of TIGPS have therefore been de-recognised from 11 May 2026, as the legal obligation for payment of benefits transferred to the relevant insurers from that date. In July 2026, the SIPS trustee completed a deal to secure its remaining uninsured pension liabilities by way of a bulk annuity buy-in with M&G. As a result, as at 31 July 2026, 100% of the remaining funded UK liabilities had been de-risked through the purchase of annuities from third-party insurers.

Litigation

Litigation provisions remain a significant area of judgement for the company. During the year, provisions relating to John Crane asbestos litigation and Titeflex product liability claims were revised to £153m (FY2025: £191m) and £29m (FY2025: £26m), respectively. Further details of the provisions, related judgements and estimates are provided in note 23 to the financial statements.

Foreign exchange

The results of overseas operations are translated into sterling at average exchange rates. Net assets are translated at period-end rates. The principal exchange rates, expressed in terms of the value of Sterling, are as follows:

	Average rates		Period-end rates	
	31 Jul 2026 (12 months)	31 Jul 2025 (12 months)	31 Jul 2026	31 Jul 2025
USD	1.34	1.30	1.35	1.32
EUR	1.15	1.19	1.17	1.16

BUSINESS REVIEW

John Crane

	FY2026 £m	FY2025 £m	Reported growth	Organic growth		FY
				H1	H2	
Revenue	1,130	1,115	+1.4%	+2.0%	+2.6%	+2.3%
Original Equipment ('OE')	180	174	+3.2%	+1.8%	+6.4%	+4.1%
Aftermarket	532	528	+0.7%	+4.6%	(0.6)%	+1.9%
Energy	712	702	+1.3%	+3.9%	+1.1%	+2.5%
Original Equipment	154	148	+4.4%	(0.9)%	+10.4%	+4.8%
Aftermarket	264	265	(0.1)%	(1.2)%	+2.0%	+0.4%
Industrial	418	413	+1.5%	(1.1)%	+5.0%	+2.0%
Headline operating profit	270	265	+1.9%	+4.2%	+3.0%	+3.5%
Headline operating profit margin	23.9%	23.8%	+10bps	+50bps	+10bps	+30bps
Statutory operating profit	274	264	+4.0%			
Return on capital employed	24.5%	25.2%	(70)bps			
RD&E cash costs as % of sales¹	5.1%	5.1%	–			

1 Includes cash R&D expenditure (1.5% of sales) and spend on customer-specific engineering-related projects (3.6%)

Market backdrop

The conflict in the Middle East and its wider ramifications is having a material impact on the global energy market, and volatility remains high. The timing for the resolution of the conflict is uncertain but implications on energy security and reliability are expected to have a positive medium-term effect on demand, and likely require additional investment in oil and gas production, energy mix, transport and storage both in and outside the Middle East. Total energy demand is expected to grow ~5% CAGR over the medium term.

Within industrial markets, we see notable opportunities in chemicals, mining and pulp and paper. In chemicals, excess capacity in China is limiting growth though we see targeted opportunities in the US and Asia-Pacific. In mining, there is high demand for energy transition materials and in pulp and paper, packaging and tissue growth support demand. Industrial demand is expected to grow ~3–4% CAGR over the medium term.

Performance

£m	FY2025 reported	Foreign exchange	Organic movement	FY2026 reported
Revenue	1,115	(10)	25	1,130
Headline operating profit	265	(4)	9	270
Headline operating profit margin	23.8%			23.9%

Revenue

Despite a challenging market back-drop, John Crane delivered organic revenue growth of +2.3% for the year, a resilient performance and supported by an improvement in operational execution, with faster lead times and improved on-time delivery. Reported revenue was +1.4% higher year-on-year at £1,130m, with the organic growth partly offset by a negative (0.9)% foreign exchange impact.

Energy

- Organic revenue grew +2.5% with growth in both original equipment ('OE') and aftermarket ('AM'). The conflict in the Middle East impacted sales by ~£20m as OE programmes were delayed and maintenance programmes were impacted by the disruption and closure of facilities in the region. Sales were strong in the US and in Latin America, reflecting robust customer demand as rates of production accelerated.
- In OE, growth of +4.1% reflected strong demand for dry gas seals, partly offset by lower systems sales which reflected project phasing delays and a strong year-on-year comparator.
- Aftermarket organic revenue increased +1.9% reflecting continuing expansion in the installed base and growth in customer aftermarket service contracts but was particularly impacted by slowdowns in the Middle East.

Industrial

- In industrial markets, organic revenue increased +2.0% reflecting good growth in OE, with aftermarket revenue up marginally year-on-year. Growth in general industrial, particularly in the mining and water sectors, was offset by lower revenue in chemicals in China and Japan.

Operating profit

Headline operating profit of £270m grew +3.5% on an organic basis, resulting in a margin of 23.9%, a +30bps improvement on an organic basis, and +10bps higher on a reported basis.

This organic improvement was driven by increased pricing and positive mix effects, Acceleration Plan and Smiths Excellence benefits, partly offset by cost inflation and an £8m increase in investment in strategic OE projects.

On a reported basis, headline operating profit was up +1.9%, with the organic improvement partly offset by a (1.6)% negative foreign exchange impact. Statutory operating profit includes the net credit in relation to the provision for John Crane, Inc. asbestos litigation, partially offset by the costs incurred in relation to the Acceleration Plan.

ROCE was 24.5%, with the profit growth partly offset by a higher capital base, resulting from the investments in machining and test rig projects, and the FX impact.

FY2027 outlook

Growth for John Crane in FY2027 is expected to be weighted to the second half. The Middle East conflict continues to add uncertainty to the near-term outlook for John Crane, and whilst the business has proved to be resilient, it continues to see disruption in the short term. In the medium term, we expect OE orders to increase as projects restart and the recovery phase begins. John Crane is well-placed to support the region as the aftermarket also recovers given our strong local presence and notable importance to our customer base for recovery and execution. Outside the Middle East, we continue to see growth opportunities particularly in the US and Latin America as higher energy prices drive demand, particularly for AM services as demand accelerates.

Accelerate

During the year, John Crane made good progress against its strategy to deliver above-market growth through driving the core portfolio and its leadership gas position, growing aftermarket services, alongside executing initiatives in energy transition and attractive industrial markets. The investments in machining and test rigs will also assist here through improved customer service and reduced delivery times.

BUSINESS REVIEW CONTINUED

In its core gas business, John Crane secured major contracts supporting both LNG and NGL projects, further strengthening its position in global gas infrastructure, a market underpinned by ongoing energy security investment. With installations in approximately 90% of the world's largest LNG facilities, John Crane is well positioned to benefit from the significant long-term aftermarket opportunities these assets generate.

Several important contract wins and customer partnerships for reliability management contracts in energy and chemicals reinforced the business's expanding aftermarket position, and within higher growth energy transition markets, opportunities in geothermal power and carbon capture and storage were an area of focus.

In industrial markets, John Crane secured agreements and expanded its presence in structurally attractive industrial segments, including projects in pulp and paper and for critical minerals infrastructure, supporting long-term industrial and energy transition demand.

All these contracts illustrate our business model and strategy in action – develop strong, intimate customer relationships to deliver superior products and services that provide attractive recurring aftermarket revenue visibility that reinforce embedded long-term customer relationships.

Innovate

RD&E investment was 5.1% of sales and advanced our product capabilities and underpinned our drive to capture a greater share of aftermarket. Customer response to the Type 93AX Coaxial Separation Seal has been very positive. We launched the Type 8628VL, a next generation mechanical seal engineered to address the challenge of maintaining seal integrity in multi-phase ethane and ethylene pipelines. To extend our product capability, John Crane developed an industry-first validated methodology that significantly improves the accuracy of drivetrain analysis in critical rotating equipment improving predictive accuracy which can have a direct impact on customers' operational performance, project delivery and costs.

We re-launched Performance Plus™ modular service framework to support the drive to expand our aftermarket position. The tailored service solutions adapt to each customer's operational experience, bringing together smart technology, data insights and expertise to keep operations running smoothly, reliably, safely and sustainably.

Supporting our drive into attractive industrial markets, John Crane's Type SB2 USP technology won the Most Innovative Water Solution category at the Manufacturing Supplier Innovation Awards UK 2026. The technology helps customers significantly reduce water consumption in demanding industrial applications while maintaining sealing performance and equipment reliability.

Flex-Tek

	FY2026 £m	FY2025 ¹ £m	Reported growth	Organic growth		
				H1	H2	FY
Revenue	807	783	+3.1%	(2.0)%	+0.9%	(0.4)%
Construction	359	371	(3.3)%	(5.8)%	(1.6)%	(3.6)%
Thermal Solutions	221	202	+9.4%	(7.8)%	(4.7)%	(6.2)%
Aerospace	227	210	+8.2%	+10.1%	+11.0%	+10.6%
Headline operating profit	170	169	+0.0%	(4.6)%	(3.9)%	(4.2)%
Headline operating profit margin	21.0%	21.6%	(60)bps	(60)bps	(110)bps	(80)bps
Statutory operating profit	124	142	(12.6)%			
Return on capital employed	26.3%	28.5%	(220)bps			
RD&E cash costs as % of sales	0.7 %	0.7%	–			

¹ The comparatives for FY2025 have been re-presented to reflect the reclassification of certain Flex-Tek general industrial businesses as discontinued operations. These businesses had a FY2026 contribution of £46m to revenue and a £(3)m operating loss (FY2025: £54m revenue and £5m loss)

Market backdrop

The US residential construction market remained challenging with housing starts and building permits down (0.8%) and (2.1)%, respectively, in FY2026. Thermal markets grew strongly behind the growth in US data centre investment as well as ongoing strong demand for industrial process electrification. The aerospace and defence market remained strong, with demand supported by new commercial aircraft build programmes and increased defence spending.

Over the medium term, the US residential market is expected to grow ~5% CAGR, driven by US housing demand and a shortage of housing. US data centre capacity demand is expected to grow 20-25% annually through 2030, primarily driven by AI and cloud demand. Looking ahead, the industrial electrification market is expected to grow ~6% CAGR, underpinned by industrial process electrification, process efficiency and data centre cooling. The aerospace fluid conveyance systems market is expected to grow ~4% CAGR over the medium term.

Performance

£m	FY2025 ¹ reported	Foreign exchange	Acquisitions	Organic movement	FY2026 reported
Revenue	783	(22)	49	(3)	807
Headline operating profit	169	(4)	12	(7)	170
Headline operating profit margin	21.6%				21.0%

Revenue

Organic revenue declined marginally by (0.4)% in FY2026, impacted by market-driven weakness in construction and revenue decline in thermal projects, mostly offset by strong growth in aerospace. Reported revenue increased +3.1%, with a positive contribution from acquisitions of +6.4% (+£49m), partly offset by a negative foreign exchange translation effect.

BUSINESS REVIEW CONTINUED**Construction (45% of revenue)**

- Organic revenue declined (3.6)% in the year, reflecting slow demand for HVAC products. There was a sequential improvement in performance through the year and growth returned in Q4, at +2.9%, as a result of targeted customer wins, particularly in flexible ducting and multi-family projects. The performance was against a strong prior year comparator which benefited from post-acquisition revenue synergies from flexible ducting products, as well as market consolidation amongst major customers. The integration of Modular Metal and Duc-Pac are now complete, strengthening our geographical coverage, positioning us well for when the market turns positive.

Thermal Solutions (27% of revenue)

- Organic revenue declined (6.2)%, following the impact from customer destocking of heat kits in the first half and the completion of the ultra-high heating project in October 2025. Revenue was enhanced by the Wattco acquisition which is fully integrated and now benefits from capacity expansion to satisfy the demand of products and solutions to capitalise on the ongoing industrial electrification trend. In addition, the acquisition of DRC Heat Transfer completed in April 2026, expanding our offering to cooling solutions and positions Flex-Tek to serve customers in fast-growing power generation and data centre markets, and is growing strongly on a pro-forma basis.

Aerospace (28% of revenue)

- Organic revenue grew +10.6%, reflecting continued successful execution against its strong order book across both commercial (~70% of revenue) and defence (~30% of revenue) aircraft programmes, and the price and volume benefits from long-term contract renewals across key customers. We delivered strong double-digit growth in both India and in our MRO business (~10% of revenue), two strategic growth priorities for the business. This performance also reflected recent investments in machining automation which have enabled capacity flexibility, as well as efficiency gains.

Operating profit

Headline operating profit declined (4.2)% on an organic basis. Organic operating margin declined (80)bps to 21.0% largely as a result of lower volumes in construction, investment in growth initiatives and a limited impact from tariffs, partly offset by pricing and operational efficiency savings. On a reported basis, operating profit was flat, benefiting from the DRC profit contribution, whilst operating margin declined (60)bps.

Statutory operating profit includes the amortisation of acquired intangible assets, an increase to the Titeflex Corporation subrogation claims provision driven by an increase in the number of expected claims, and costs incurred in relation to the Acceleration Plan.

ROCE declined (220)bps to 26.3%, reflecting the headline operating profit decline and the impact of acquisitions on the capital base.

FY2027 outlook

Flex-Tek is expected to return to growth in FY2027, weighted to the first half.

- Construction remains focused on driving performance, with the timing of the US construction market recovery remaining uncertain. The business expects to benefit from continued customer wins and new pricing initiatives.

- Thermal Solutions performance is expected to benefit from underlying business growth supplemented by the DRC acquisition, as well as the phasing out of destocking effect in heat kits, and the ultra-high heating contract from the second quarter.
- Aerospace finished the year with a strong order book, with coverage of ~65% for FY2027 offering good visibility and is expected to benefit from continued positive performance in targeted growth areas as well as recent contract renewals.

Accelerate

- In Construction, growth initiatives focused on the core portfolio include leveraging strong distributor relationships to continue expanding market share and in FY2026, this included investing into the higher-growth Canadian market which presents an opportunity to increase market penetration and broaden customer reach.
- In Thermal Solutions, we are increasingly moving from a product approach towards customised solutions that create greater value for customers and strengthen our competitive position. The first priority is accelerating our position in data centre cooling, with DRC presenting a large immediate growth opportunity, and plans underway to ramp up capacity to meet the strong demand being driven by data centre back-up power needs. Our second priority is building a leadership position in high-value electrification. The pipeline of projects remains positive, including the provision of electric heaters for ultra-low emission electro-fuel and data centre safety-power projects.
- In Aerospace, the second half included contract renewals with major aircraft engine manufacturers. These contracts deepen the long-standing relationships and support some of the most important engine manufacturing programmes in global aviation. They include a five-year contract with GE Aerospace across its key commercial and defence-related engine fleets. The business continues to drive expansion of its shipset content, its MRO capabilities, which include supporting the repair of Pratt & Whitney's geared turbofan engine, and investing in higher-growth geographies such as India.

Innovate

Innovation within HVAC solutions continues to progress across multiple product categories. The Blue Series polyurethane-insulated sheet metal HVAC components are gaining traction with new customers, particularly in the southern US, with further growth expected in FY2027. Enhancements to the Python line set portfolio are also underway, improving compatibility with mini-split systems to simplify installation, enhance the installer experience, and reduce overall installed costs.

Thermal Solutions remains focused on combining heating technologies with controls, panels and integrated systems, making it easier for customers to solve increasingly complex challenges.

Aerospace continues to work with customers in the development of new high-pressure hoses. New equipment capability in our facilities have enabled meeting high pressure hose demands, as well as making improvements in our internal laboratory to speed up development times.

Portfolio management

During the year, we agreed the sale of three general industrial businesses for a combined value of £40m (with one still to complete, expected in the first quarter). The process for the remaining one is ongoing. Further information can be found in note 28.

BUSINESS REVIEW CONTINUED

Smiths Detection (Disposal completed on 30 June 2026)

	FY2026 ¹ £m	FY2025 £m	Reported growth	Organic growth		
				H1	H2	FY
Revenue	921	963	(4.4)%	+11.7%	+6.1%	+9.0%
Reported headline underlying operating profit	126	122	+3.3%	+34.4%	+11.7%	+22.9%
Headline operating profit margin	13.7%	12.7%	+100bps	+230bps	+70bps	+150bps
Return on capital employed	13.1%	11.4%	+170bps			

¹ FY2026 absolutes represent the contribution for the time they were owned. Reported growth reflects the change in absolutes, whilst organic growth reflects growth over 11 months of ownership in each year.

Smiths Detection delivered strong organic revenue growth at +9.0%, successfully converting its strong order book into revenue, driven by growth in Aviation and Other Detection Systems, in both OE and aftermarket. Reported revenue declined (4.4)% reflecting the 11-month contribution with the sale completing on 30 June 2026, and a negative foreign exchange effect.

Headline operating profit increased +22.9% on an organic basis, reflecting the strong volume growth and favourable mix from higher aftermarket growth in Aviation, as well as efficiency and Acceleration Plan benefits, and despite the impact of US tariffs. Headline operating profit margin increased to +13.7%, +150bps on an organic basis. On a reported basis, headline operating profit increased +3.3%.

ROCE increased +170bps to 13.1%, reflecting the growth in headline operating profit.

Smiths Interconnect (Disposal completed on 31 March 2026)

	FY2026 ¹ £m	FY2025 £m	Reported growth	Organic growth		
				H1	H2	FY
Revenue	253	421	(39.9)%	+6.3%	+12.1%	+7.8%
Reported headline underlying operating profit	50	75	(33.3)%	(1.0)%	+20.1%	+4.4%
Headline operating profit margin	19.7%	17.8%	+190bps	(140)bps	+140bps	(70)bps
Return on capital employed	17.8%	16.7%	+110bps			

¹ FY2026 absolutes represent the contribution for the time they were owned. Reported growth reflects the change in absolutes, whilst organic growth reflects growth over 8 months of ownership in each year. These figures include Smiths Interconnect's US sub-systems business unit, which was sold in Q1 FY2026.

Smiths Interconnect's organic revenue increased +7.8%, led by continued momentum in the semi-test business with demand from key customers across multiple AI and data centre programmes. Reported revenue declined (39.9)%, largely reflecting only an eight-month contribution following the sale of the business on 31 March 2026, together with negative foreign exchange.

Headline operating profit increased +4.4% on an organic basis. Headline operating profit margin increased to 19.7%, (70)bps lower on an organic basis and +190bps higher on a reported basis. The benefit from the sale of its US sub-systems business unit as well as efficiency improvements and Smiths Excellence benefits, were partly offset by negative mix effects and higher materials costs.

ROCE improved +110bps to 17.8%, driven by the increase in headline operating profit.

KEY PERFORMANCE INDICATORS

Financial KPIs	FY2026 progress	Performance		
Organic revenue growth Sustainable acceleration of above market growth will deliver best-in-class value creation. Medium-term target 5-7%	We delivered a resilient organic revenue growth of +1.2% against the backdrop of significant end-market disruption in global energy and US residential construction markets.	FY2026 FY2025 FY2024	1.2% 3.8% 5.9%	 CEO review Page 8 Linked to remuneration
Headline operating profit margin Stronger execution will drive higher margins and enable further investment for growth. Medium-term target 21-23%	We delivered headline operating growth of +1.9% organically, ahead of expectations, with margin expanding to 20.6%, driven by positive pricing, benefits from the Acceleration Plan and good cost management, alongside continued investment for growth.	FY2026 FY2025 FY2024	20.6% 20.5% 19.8%	 CFO review Page 12 Linked to remuneration
Headline earnings per share (EPS) growth (Total Group) Strong margins will convert revenue growth into earnings growth. Medium-term target >10%	We delivered strong headline EPS growth of +12.0%, driven by operating profit growth, an enhanced share buyback programme and contribution from acquisitions.	FY2026 FY2025 FY2024	12.0% 14.8% 8.3%	 CFO review Page 12 Linked to remuneration
Headline return on capital employed (ROCE) Premium return on capital ensures that both organic and inorganic investment drive maximum value from our growth. Medium-term target >20%	ROCE decreased to 23.5%, comfortably above our target range, with the higher profitability more than offset by an increase in the capital base due to acquisitions and an FX impact.	FY2026 FY2025 FY2024	23.5% 24.5% 24.0%	 CFO review Page 12
Headline operating cash conversion Strong cash conversion enables investment in the business, enhanced free cashflow and shareholder returns. Medium-term target ~100%	We delivered strong headline operating cash conversion at 96% driven by operating profit growth and lower capital expenditure, offset by working capital movement reflecting higher inventory levels to support customers.	FY2026 FY2025 FY2024	96% 97% 93%	 CFO review Page 12 Linked to remuneration

Gross vitality (revenue contribution of products launched in the last five years) has been retired as a KPI due to portfolio change.

Alternative Performance Measures (APMs) and KPIs are defined in note 30 to the financial statements.

KEY PERFORMANCE INDICATORS CONTINUED

Operational and non-financial KPIs	FY2026 progress	Performance	
Recordable incident rate (RIR) Looking after our colleagues in the workplace and keeping them safe and healthy is our number one priority. Target RIR <0.4	RIR increased during the year with incidents concentrated in recurring operational risks, highlighting the need for stronger implementation of critical controls. However, the longer-term trend remains positive and Smiths continues to perform significantly better than industry benchmarks.	FY2026  0.52 FY2025  0.35 FY2024  0.41	 Safety Page 24
Greenhouse Gas (GHG) reduction Meeting our SBTi commitment to deliver Net Zero Scope 1 & 2 GHG emissions by 2040 is a fundamental part of our sustainability strategy.	Scope 1 & 2 emissions fell 6% in the year driven by a reduction in overall energy use, increased renewable energy produced on site and overall grid decarbonisation.	FY2026  -6% FY2025  -16%	 Climate change and Net Zero Page 31 Principal risk: Climate change Page 43 Linked to remuneration
My Say survey engagement score Engaging our people is key to successful implementation of our strategy. We have been tracking employee engagement on a range of important cultural measures since 2017. Target Upper quartile (75+)	There was strong participation (85%) in the FY2026 survey and results point to a positive employee experience despite many recent changes. Scores improved on all seven measures.	FY2026  78 FY2025¹  72 FY2024¹  75	 Culture and sustainability Page 22 Principal risk: People Page 41
% of senior leadership positions held by women We are focused on proactively increasing the number of women in leadership roles at Smiths, with our measure being percentage of senior leadership positions held by women.	40% of roles in our senior leadership team are held by women.	FY2026  40% FY2025  37% FY2024  34%	 Talent Page 27 Principal risk: People Page 41

1 Engagement survey data for FY2024 and FY2025 includes Smiths Detection and Smiths Interconnect.

CULTURE AND SUSTAINABILITY

We take a disciplined, commercially grounded approach to sustainability, focused on the issues that matter most to our business, stakeholders and wider value chain. Our culture is a natural driver of sustainability action and embedding responsible practices, both of which make the organisation more resilient and able to create lasting value. Investment in our people and sustainability enables the success of our strategy.

Our sustainability disclosures are informed by current and emerging reporting frameworks including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), Taskforce on Nature-related Financial Disclosures (TNFD), the Corporate Sustainability Reporting Directive (CSRD), and the expectations of our stakeholders. We continue to evolve our approach as regulatory requirements and market practice develop.

The topics described in this section are the most material for Smiths and its value chain.

Safety

[Read more on Page 24](#)

Talent

[Read more on Page 26](#)

Behaving ethically and legally

[Read more on Page 28](#)

Sustainability solutions and eco-design

[Read more on Page 30](#)

Climate change and Net Zero

[Read more on Page 31](#)

Natural resources and biodiversity

[Read more on Page 32](#)

Unless otherwise described, the data and targets presented are for the continuing operations of Smiths.

FY2026 highlights

- Improved MSCI rating to AAA
- Increased Smiths Foundation fund to c.£25m and developed STEM education scholarship partnerships
- More than 800 colleagues now certified Yellow Belt under Smiths Excellence, 29 Black Belt and 212 Green Belt
- Publication of Sustainable Product Policy and Global Fleet and EV Policy
- On track to achieve our three-year environmental targets

Sustainability in our supply chain

Our global supplier network provides the materials, components and finished goods that support both our and our customers' supply chains. Greater transparency and stronger influence across these networks help us manage risk, work with suppliers who share our Values and commitments and progress our sustainability goals. We use the EcoVadis supplier management platform to manage supplier due diligence and explicitly align suppliers with our ambitions.

United Nations Sustainable Development Goals (UN SDGs)



Our business activities and our sustainability priorities enable us to contribute in a meaningful and practical way to seven of the UN SDGs.



Third party ratings



FTSE4Good

MSCI: AAA

CDP Climate: B

ISS QualityScore:

- Environment: 1
- Social: 2
- Governance: 4

ISS Corporate: Prime

Sustainalytics: 29.2

S&P Global ESG Score: 53

LGIM ESG Score: 69

EcoVadis: Bronze 73/100



CULTURE AND SUSTAINABILITY CONTINUED

BUILDING OUR CULTURE

The Board has ultimate responsibility for ensuring that our culture is healthy and drives the long-term success of the company. We have governance processes in place to enable the Board to monitor culture and cultural metrics.

Our culture is founded on our Values and the key drivers of success – innovation and Excellence.

To strengthen our culture, we focus on engagement, communication and activities that promote our culture through our shared purpose and Values. The sustainability topics described in this section also contribute to the strength of our culture – Smiths colleagues care deeply about safety, equal opportunities, ethical behaviour, the environment and our communities.

Customer Focus

We deliver, innovate and grow with our customers

Ownership

We are accountable, capable & empowered

Respect

We build trust by respecting others

Integrity

We win the right way

Safety

We ensure safety is our foundation

Engaging our people

We work hard to engage our workforce at all levels with our purpose and strategy. Key communication materials are translated into fourteen core languages. We run a global news platform, hold regular virtual and in-person Town Halls, provide training on culturally important matters, and our intranet web portal acts as an online hub for information and resources.

My Say engagement survey

Our My Say survey helps us to understand what we are doing well and where we need to focus attention, both at a high level and in individual teams. There was strong participation (85%) in the FY2026 survey and results point to a positive employee experience despite many recent changes.

Employees continued to rate safety, respectful treatment, development opportunities and environmental commitment highly. Safety remained the highest-scoring area at 85, while the largest year-on-year gains were in development opportunities (+13) and mental wellbeing (+10), demonstrating meaningful progress in areas central to culture, retention and the overall experience. FY2025 comparative data includes Smiths Detection and Smiths Interconnect.

Measure	Score	Change vs FY2025
Overall engagement	78	+6
Opportunities for personal development and growth	81	+13
Respectful treatment	81	+4
Commitment to mental wellbeing	75	+10
Commitment to safety	85	+3
Commitment to ethical behaviour	77	+6
Commitment to environment	81	+5

Results from the survey and recommendations are reported to, and discussed by, the Executive Committee and the Board to ensure that they are reflected in our planning. The outcome supports our continued investment in leadership effectiveness, organisational communication, employee wellbeing and workload management.

Smiths Foundation

Launched in FY2024 with an initial £10m commitment, the Smiths Foundation has supported our culture by engaging colleagues and intensifying the social impact of our charitable giving. To date, it has awarded c.£3m to 32 colleague-nominated charities across 16 countries, supporting projects aligned to three impact pillars:

- Expanding access to quality STEM education and skills for underrepresented groups
- Strengthening safety and connectedness through engineering and technology-led solutions
- Advancing environmental sustainability through engineering, technology and biodiversity restoration



Read more about the organisations supported by the Smiths Foundation on our website

CULTURE AND SUSTAINABILITY CONTINUED

Data provided by the Foundation's partner, Charities Aid Foundation (CAF), found that more than 16,500 individuals had directly benefited from grants made in FY2024 and FY2025.

In FY2026, to mark our 175th anniversary and our founding in 1851, we expanded the Foundation's programme and specified three strategic funding streams: scholarships and education, colleague-nominated charities as previously, and biodiversity and environment. The Board approved the retention of £18.51m (reflecting our founding year) from the Smiths Interconnect and Smiths Detection sale proceeds, creating an ongoing combined invested fund of c.£25m, providing a strong platform for long-term, purpose-led impact aligned with our strategy, with annual funding of £2-3m.

In scholarships and education, the focus will be on scholarships for disadvantaged students pursuing STEM-related degrees, delivered through long-term partnerships with educational institutions and aligned to priority skills needs. An initial partnership has been formed with Aston University, UK. This will support 45 students a year with £225k committed per year for three years, with each student offered mentoring from Smiths. Our first cohort for the three-year programme is being recruited for the 2026/27 academic year. Similar partnerships are being discussed with further education providers in the US and Mexico.

In biodiversity and environment, £200k funding has been committed on an annual basis to support charities focused on environmental protection, restoration and biodiversity. We are a corporate supporter of the World Land Trust (WLT) which protects land in key biodiversity areas, and for the past two years have funded the protection and conservation of land equivalent to our global operational footprint +20%, to create wildlife corridors in Uganda and Kenya. We have also partnered with Treeapp, a global reforestation organisation, to plant 15,000 coastal mangroves in a vulnerable region in Brazil. A further 17,000 native trees will be planted in autumn 2026 as part of a UK rewilding programme, one tree for every Smiths colleague. Across the two geographies, this is equivalent to reforesting an estimated 213,440 m² of land.

Building Smiths culture in FY2026

A healthy culture needs continuous care and attention. Here are some of the additional ways we built our culture in FY2026:

- Undertook a comprehensive culture review to ensure we have a high performing culture that supports the strategy. The assessment involved the Executive Committee, Board and our extended leadership team to determine strengths, challenges, desired culture and the work needed to prioritise the drivers of success
- Our Business Presidents spent more time visiting each other's sites to better understand operating models and opportunities for collaboration.
- Board mentoring programme for the Executive Committee
- Celebrated 175 years and Smiths Day at our sites
- Held two global leadership summits for our extended leadership team
- Expanded Learning & Development Week to Learning & Development Month comprising more than 100 sessions across four culturally important areas: safety and wellbeing; Excellence and people; learning and development; and business specific
- Defined an innovation framework aligned to our Excellence framework for application across the product lifecycle
- Celebrated colleague achievements on our Engage social platform

CULTURE AND SUSTAINABILITY CONTINUED

SAFETY

Safety comes first for everyone at Smiths. We are focused on achieving excellence in health and safety through strong leadership, grassroots ownership and a culture of care. By leveraging Excellence methodologies and data-driven insights we aim to continuously improve safety performance and build a strong foundation of confident and aware safety cultures at our sites and injury-free environments.

Managing safety

We embed our safety priority through clear policies, robust standards and annual improvement plans at each business and site. These plans support our target to keep Smiths recordable incident rate (RIR) under 0.4, below the industry benchmark, and our overall aim to achieve an injury-free workplace. Day-to-day safety and compliance are led locally by our HSE specialists, with site and business leaders accountable for safety culture and performance. Operational sites with more than 100 colleagues must be certified, or working towards certification, under ISO 45001.

Our primary focus is on sustainable preventative action. This starts with data analysis to identify patterns, common themes, trends and anomalies that reveal potential hazards and interrogate the effectiveness of what we are doing.

Using this data we adopt proactive safety management actions to educate and empower our teams, including:

- Targeted safety stand downs in high-risk work areas to reinforce fundamental control measures, refresh frontline awareness and communicate recent incident learnings
- Focused hazard-specific sessions, such as equipment interaction safety clinics, sharp-object handling refreshers and slips/trips/falls walkabouts
- Localised task-specific risk reviews, particularly in machining, assembly and maintenance environments where repeat events have emerged

John Crane undertook a global safety standdown in January 2026 comprising 50 in person town halls and over 40 online events to reinforce safety as a leadership priority and the expected behaviours of all colleagues. Both John Crane and Flex-Tek have completed safety-specific Yellow Belt Excellence projects to improve the efficiency of safety processes and compliance.

In FY2027 we will implement a new federated health and safety software tool which will integrate standardised ways of working, reporting, compliance, AI-enabled analytics and a simple user experience for improved capture, understanding and action on safety. The tool will also support faster roll out of the Smiths safety culture to new acquisitions.

Health, mental health and wellbeing

Supporting colleague wellbeing and mental and physical health helps keep us performing at our best. We strive to create a fair, inclusive and respectful workplace where colleagues feel they belong and are valued. This culture of care improves quality of life and strengthens our business.

We are taking a more holistic health, safety and wellbeing approach that brings together physical safety, psychological safety and overall wellbeing. We have enhanced leadership capability through bespoke people leader wellbeing training and practical tools such as the See, Explore, Encourage (SEE) framework (800 attendees in FY2026). In addition, the enterprise wide rollout of Safety & Wellbeing Fundamentals training, now completed by 87% of colleagues, and the safety week in Learning & Development Month have established a consistent baseline of safety and wellbeing knowledge at the grassroots.

All Smiths colleagues and their immediate families have access to an Employee Assistance Programme (EAP) which offers practical support on health, wellbeing and financial matters to support individuals through difficult situations in their work or personal lives. Our EAP providers also accommodate Smiths corporate and site needs – for example by providing bespoke training sessions and materials, crisis response teams and onsite counsellors should they be required. Colleagues based in markets where the local health system is not of acceptable quality or where health insurance is the norm benefit from private healthcare and other support through private health insurance. We have mental health first aiders at some of our sites.



Target:

- Continuous improvement towards a zero-harm workplace. RIR <0.4

UN SDGs:



CULTURE AND SUSTAINABILITY CONTINUED

Safety performance

While our FY2026 RIR has not shown the improvement we targeted, the long-term trend is positive and we consistently average lower than the Industrial Manufacturing & Services benchmark. We were extremely pleased to see a continuing strong score for safety in our FY2026 engagement survey and a significantly improved score for mental wellbeing.

	FY2026	FY2025	FY2024
Recordable injuries	53	35	42
Recordable incident rate per 100 employees	0.52	0.35	0.41
Lost time incident rate per 100 employees	0.28	0.10	0.21

Site security and travel safety

The challenging geopolitical environment requires constant focus to protect our sites and anyone travelling. Security plans, risk assessments, business continuity planning and crisis management reviews are applied across our locations to protect our people, assets, data and intellectual property. In FY2026 we 'geofenced' our key global locations to enable real-time, high quality security analysis and communication from our external security partners to enhance protection. We also deployed a standard security incident reporting template to drive consistency in method, data and preventative action. We recorded only one serious site security incident in the year caused by an external perpetrator.

Travel safety is also closely managed, with high and extreme risk trips monitored and requiring senior approval. Our external partners provide advisory, emergency and medical support, including evacuation if necessary, directly to company travellers. Conflict in the Middle East during the year has led to additional safety and security measures for colleagues travelling and working in the region, including extra layers of approval for a period of time. We always put our people first in such circumstances.

FY2027 priorities

- Implement and deploy new safety software tool, including standard safety incident reporting template
- Continued focus on targeted improvements to controls around higher-risk tasks, and on reducing severe and higher-frequency incidents
- Continue to raise the profile of safety responsibility and prevention at the grass roots through accessibility of data and insights, training and awareness activities, and the opportunity to participate in Excellence projects
- Speedy implementation of Smiths safety culture at acquired businesses

CULTURE AND SUSTAINABILITY CONTINUED

TALENT

The passion and expertise of Smiths colleagues have driven our business forward for 175 years. Their talent and leadership are critical for our future.

Our talent strategy is focused on building the capabilities and bench strength required to deliver our strategic plan. We are prioritising the skills and leadership qualities that matter most to future performance, including innovation, technical expertise, strategy, programme management, enterprise IT and Excellence. This capability agenda is supported by structured skills roadmaps that identify needs and direct investment and resource to have the most impact.

We are strengthening capability by better equipping our leaders to coach, develop and sustain improvement across their teams and by building knowledge and skills at the grassroots, including through our Excellence programme. Learning paths will be increasingly aligned to job architecture, creating clearer routes for colleagues to upskill and progress into future roles. This will also enhance opportunities for collaboration and internal mobility, creating the right balance between individual growth and business needs. Our technical capability programmes will be embedded into business as usual, owned by our businesses, so that development becomes part of how we operate, not a separate activity.

A key imperative is to establish deeper succession pipelines for leadership and critical skills to create pools of talent for future resilience and an understanding of the gaps we need to fill. We will supplement internal development with targeted external recruitment in priority capability areas and early careers.

To support delivery we are investing in the Workday system to manage and support talent holistically across the organisation. Workday will improve our people data, insights, workforce planning, and co-ordinate and systematise our processes. It will also empower our people, giving direct access to mentoring matches and self-directed LinkedIn Learning development modules, and managers access to data.

We have also established a new office in Birmingham to strengthen long-term operational resilience and diversification. Birmingham was selected for its access to a broader and more diverse talent pool, its strong UK connectivity and significant engineering and industrial expertise. The office will support the development of functional centres of excellence in IT, procurement, data and analytics, project management and more, while enhancing recruitment and capability building, including in early careers.

Talent initiatives during FY2026 include:

- Completed roadmaps for product, technology, manufacturing, process and materials. These map our business priorities over five years and identify capability gaps
- Established a Technology Steering Group for business collaboration, knowledge sharing and external engagement
- Completed four technology projects and two discovery visits with the UK Manufacturing Technology Centre (MTC)
- Learning & Development Month
- A deliberate shift of the Excellence programme from project-led Six Sigma to Lean-first daily value creation with broad-based problem-solving capability at the grassroots. This is supported by our business-wide Lean Academy alongside role-based learning pathways for Excellence roles hosted in our learning management system. Nearly 400 Yellow Belt projects were registered during the year,

with more than 800 colleagues now qualified Yellow Belts. 84% of colleagues have completed Excellence Fundamentals training

- Redesigned the talent cycle to enable a more strategic, enterprise-wide discussion on leadership capability, succession and future organisation needs and adopted a model of potential that assesses and discusses aspiration, future ability and engagement
- Piloting of a new 12 month high-potential programme focused on innovation and strategic insights to elevate the senior leaders of the future
- Continued support for individual professional development including through Henley Business School and Exeter University
- Continuation of early careers programmes and expansion of UK apprenticeships and learning opportunities funded by the Apprenticeship Levy. We currently have 83 colleagues enrolled in graduate and apprenticeship programmes globally

Recent efforts have led to a significant increase in our engagement survey score for opportunities for personal development and growth, now scoring 81 (+13 on FY2025). Respectful treatment also scored 81 (+4 on FY2025).

FY2027 priorities

- Implement Workday people management system
- Broaden bespoke support for senior leadership in Executive Committee succession pipeline
- Roll out operational coaching training for leaders to support empowerment, accountability, people development and sustained improvement
- Relaunch Green and Black Belt Excellence training to continue to grow belted population and mature capability



UN SDGs:



CULTURE AND SUSTAINABILITY CONTINUED

Reward and recognition

Fair, open and meaningful reward and recognition help us attract and retain talent. We are committed to fair pay, rewarding colleagues equitably for their work and performance, and enabling them to share in our success. Benefits are aligned across Smiths and include parental leave, the option to request part-time or job-share working, and a paid volunteering day. More than 2,800 colleagues participate in our Annual Incentive Plan (AIP). We have been an accredited Living Wage employer in the UK since 2018, and our UK all-colleague Sharesave Scheme enables colleagues to buy Smiths shares at a discount.

Equal opportunities

We provide equal employment opportunities, recruiting, supporting and promoting people based on qualifications, skills, aptitude and attitude. We comply with applicable anti-discrimination requirements and have zero tolerance for discrimination, harassment or retaliation. Our procedures and training reinforce fair treatment for all, supported by gender-neutral job descriptions. People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion based on their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability.

Parker Review disclosure

Smiths has sought ethnic diversity data from its UK senior management group as defined by the Parker Review and set an FY2027 target. 77% of the population responded to the FY2026 request, with 13% of respondents identifying as ethnically diverse. Our definition of ethnically diverse covers groups with lower representation in the organisation including Asian, Black and mixed multiple ethnic backgrounds.

Gender disclosures

As at 31 July 2026

	Male # of employees		Female # of employees		Definition
Board of Directors	6	75%	2	25%	
Executive Committee	6	86%	1	14%	
Senior Leadership Team	31	60%	21	40%	Senior Leadership Team is the metric used to track gender diversity at Smiths. It is defined as all colleagues on permanent and fixed-term contracts in senior leadership roles. These colleagues are able to influence and drive business results.
Total colleagues	7,593	73%	2,842	27%	Employees on permanent and fixed-term contracts.
Senior managers (Companies Act)	106	82%	24	18%	Executive Committee plus directors of subsidiary undertakings as defined by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
Senior managers (UK Code)	35	63%	21	38%	Executive Committee, including the Company Secretary, and their direct reports as defined by the UK Corporate Governance Code 2024.
Women in Leadership	35	63%	21	38%	Executive Committee and their direct reports as defined by FTSE Women Leaders.

Percentages have been rounded and may not add up to 100%.

CULTURE AND SUSTAINABILITY CONTINUED

BEHAVING ETHICALLY AND LEGALLY

Our Values drive ethical behaviour across Smiths. Operating globally across different product markets demands rigorous compliance with local and international requirements. This is supported by specialist teams who use data and intelligence to anticipate risk and strengthen our procedures. Our policies and controls evolve with the external environment, our strategic priorities and the insights we gather.

Governance and implementation

The Smiths Code of Business Ethics sets the standard for how we behave and what we expect from our partners. It is supported by targeted policies, procedures and training across ethics, compliance and people matters. Our central Ethics & Compliance team oversees the programme and focuses effort where risk is highest, while business teams own day-to-day delivery. Our Business Ethics Council, made up of senior leaders from across Smiths, provides a forum to surface emerging issues, share insights and shape policy.

Our ethics training operates in two tiers – online modules delivered in all our core languages, and group training activities covering specific subjects for relevant cohorts. We also run regional ethics workshops as appropriate for middle and senior leaders to embed deeper understanding and discuss challenges specific to our markets and geographies. In FY2026 we ran an ethics workshop for our John Crane operations in Southeast Asia and a Smiths-wide workshop focused on China. As part of our assurance programme, our

external partner Control Risks conducted an anti-bribery and corruption and fraud risk review of our businesses in Japan and identified no material risks.

Data and insights

Colleagues and business partners are expected to report any activity or behaviour that may breach our Code of Business Ethics, policies or Values. They can do this through internal channels or our confidential Speak Out hotline, available to colleagues and third parties 24/7. We also run a regular global Ethics Pulse survey, with results and Speak Out data reported to the Audit & Risk Committee.

There were 198 Speak Out reports in FY2026. 37% of reports relating to ethics and compliance matters were substantiated or partially substantiated and recommendations were passed back to the business area to address. Reporting appears generally stable, with a slightly lower-than-average number of HR/culture reports following the announcement of the sale of Smiths Detection and Smiths Interconnect. Commitment to ethical behaviour scored strongly in the FY2026 engagement survey.

We are developing an AI-enabled early warning indicator that analyses data from our compliance ecosystem to flag trends and potential risks. We see further opportunities to integrate datasets from Internal Audit and the new systems planned in HR and safety.

Responsible procurement

Our Supplier Code of Conduct sets clear expectations for suppliers and sub-suppliers on ethical behaviour, legal compliance, treatment of personnel and responsible sourcing. Suppliers must adhere to the code, with new suppliers subject to due diligence and onboarding checks to assess risk and confirm they can meet our standards. Risk reviews and regular audits provide ongoing assurance.

EcoVadis gives us a consistent platform to assess suppliers across four sustainability pillars: environment, labour and human rights, ethics and compliance, and sustainable procurement, while reflecting industry and country risk. Through the platform we collect, validate and report supplier data, and set corrective action plans aligned to our priorities. By the end of FY2026, 35% of supplier spend had been evaluated on EcoVadis. We intend for all supplier onboarding to take place using EcoVadis. Smiths own score on the EcoVadis platform is currently bronze (73/100).

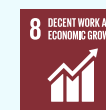
We have developed an AI-enabled ESG FAQs model covering our policies and performance to better enable our teams to provide accurate and efficient responses to the growing number of ESG questionnaires from our customers.



Target:

- 40% of supplier spend evaluated on EcoVadis by end of FY2027

UN SDGs:



CULTURE AND SUSTAINABILITY CONTINUED

Conflict minerals

Our Responsible Minerals Sourcing Policy addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights. It also ensures that tin, tungsten, tantalum, gold and cobalt are sourced with due respect for human rights and in a manner that does not finance armed groups. To achieve this objective, we take guidance from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Human rights and modern slavery

Human rights violations are unacceptable and wholly inconsistent with our Values and policies. We do not tolerate conduct that exploits workers or denies them their legal rights and benefits. We recognise our responsibility to help uphold decent work and universal human rights across our operations and supply chains.

All online colleagues receive training on modern slavery risks. We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2026.

Our Human Rights Policy is grounded in international principles, including the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. We comply with local laws in the markets where we operate and, where national laws conflict with internationally recognised human rights, seek ways to honour those principles.

Everyone working for, or on behalf of, Smiths must follow our policy which covers:

- Elimination of forced/involuntary labour and child labour
- Humane treatment in the workplace
- Workplace equality/elimination of bias
- Right to a living wage, reasonable working hours and vacation
- Freedom of association
- Safe and healthy workplace and safe and healthy accommodation if accommodation is provided for employees

We expect suppliers to share our commitment and operate free from practices linked to human rights violations. We take any allegation seriously and remain vigilant across our global supply chains. Our standard supplier contracts require commitments on human rights and fair labour standards, including equivalent expectations for suppliers' own supply chains and notification of any breach. During onboarding, we review working and, where relevant, housing conditions, employment terms and labour practices. For migrant workers, we ask about employment terms, movement restrictions and financial arrangements. Recruitment agencies are also subject to due diligence and must commit to our standards.

In FY2026 we conducted a strategic assessment to define the most effective, risk-based, and proportionate approach for evaluating compliance among Tier 2 suppliers based on their assessment in EcoVadis and undertook deep-dives on compliance in Mexico. Two of our own sites in the region were assessed as part of the deep-dive based on Speak Out reporting rates but no major issues were found.

Anti-bribery and anti-corruption

Our Code of Business Ethics sets the foundation for preventing bribery and corruption across Smiths. This is reinforced by targeted policies and procedures for higher-risk activities, together with an overarching Anti-Bribery and Corruption Policy that brings our approach together in one clear framework. Our controls cover gifts, meals and hospitality; interactions with government officials; facilitation payments; and the appointment of distributors and agents, customs brokers and freight forwarders. In FY2026 we added online anti-fraud training for all online colleagues.

Data protection and privacy

Smiths does not collect consumer information or market to consumers, thus reducing these risks; however, we do process colleague data and information on business contacts. Common principles and processes ensure our teams understand their personal data responsibilities, with privacy matters overseen by the Ethics & Compliance team. Our Privacy Champions monitor evolving regulation and emerging issues, while Internal Audit assesses our data privacy controls. With ever increasing data, systems and the integration of AI, data protection is evolving into more formal frameworks for data management, system security and behaviour under our IT, business continuity and Ethics & Compliance teams.

FY2027 priorities

- Based on our risk review, identify suppliers for anti-modern slavery compliance audits
- Conduct a review of our anti-fraud controls
- Conduct regional ethics workshops for businesses recently acquired and for colleagues in Czechia

CULTURE AND SUSTAINABILITY CONTINUED

SUSTAINABILITY SOLUTIONS AND ECO-DESIGN

Our markets are being reshaped by demand for cleaner, more efficient technologies that enhance process resilience and sustainability. Our businesses meet this need with high-performance solutions that cut emissions and pollution, enable electrification, reduce waste and support infrastructure to stay reliably in service for longer.

John Crane

John Crane mechanical seals and couplings prevent pollution and greenhouse gases, including methane, from leaking into the environment during the transportation and refining of fossil fuels, making infrastructure systems more efficient, and reducing environmental impact, including water consumption. The same technology is deployed in hydrogen and carbon capture projects where performance demands are even higher. In both new and core energy systems, our technology is supported by service teams that keep our seals and the infrastructure they protect, operating efficiently and reliably, extending equipment life.

John Crane is currently pursuing a pipeline of project opportunities in energy transition markets as those markets grow. Recent examples include the supply of dry gas seals for use in centrifugal compressors at a new carbon dioxide compression facility in north Wales to transport carbon dioxide captured from industrial plants in the region to permanent storage in depleted offshore fields. In the US, John Crane was selected to supply a comprehensive suite of sealing technologies for turbomachinery at a next generation geothermal power generation project, ensuring operational reliability and safety in a technically demanding environment.

Flex-Tek

Flex-Tek industrial electric heating technology enables the heating of industrial gases for applications that need high pressure or high temperatures or both, with the potential to facilitate the decarbonisation of industries currently reliant on fossil fuels, like steel. Our lower range heating technology is used in applications in emerging markets for dehumidification, pollution control and energy storage. Flex-Tek products are also transforming residential and commercial building efficiency and emissions through off the peg solutions for the construction industry supporting HVAC systems and electrical heating.

Flex-Tek is well placed for further energy-efficient industrial heating and cooling projects following the acquisitions of Wattco and DRC including the provision of electric heating and cooling for ultra-low emission electro-fuel and data centre projects.

Circularity and eco-design

Our products and services score strongly on the key pillars driving new EU regulations on sustainable product design – particularly durability, reusability and repairability. Our significant aftermarket services revenue at John Crane derives from keeping our products operating efficiently in service for longer thus limiting unnecessary waste. We are pursuing similar aftermarket expansion projects at Flex-Tek's Thermal Solutions and Aerospace businesses.

In preparation for new EU regulatory frameworks – Ecodesign for Sustainable Products Regulation (ESPR), Packaging and Packaging Waste Regulation (PPWR) and the Corporate Sustainability Reporting Directive (CSRD) – and to meet customer needs, we are on a journey to formally embed eco-design compliance requirements into our new product development process. Lifecycle sustainability questions and data gathering covering materials, durability, energy efficiency, packaging, repairability, recyclability and end of life are being built into appropriate gates in the process. We have also launched a Sustainable Product Policy. This work is led by our manufacturing Excellence team alongside technical teams at our businesses and the Smiths sustainability team.

EU Taxonomy

We have completed work with PwC to assess the eligibility of our CapEx, OpEx and Revenue in preparation for EU Taxonomy reporting. We are now in the process of systematising our reporting processes and embedding EU Taxonomy reporting into our financial reporting system. This work supports our decision to voluntarily align with investor requests for green revenue reporting and helps prepare the business for future reporting requirements under CSRD.

FY2027 priorities

- Implement training for NPD compliance with Sustainable Product Policy



UN SDGs:



CULTURE AND SUSTAINABILITY CONTINUED

CLIMATE CHANGE AND NET ZERO

We are committed to Net Zero and mitigating climate change by changing how we operate and power our businesses. We are targeting Net Zero Scope 1 & 2 emissions by 2040 and Net Zero Scope 3 emissions by 2050.

Our targets and transition plan were validated by the Science Based Targets initiative (SBTi) in FY2024. We plan to resubmit to the SBTi for the current Smiths portfolio in FY2027, retaining the same targets.

We continued to score highly for commitment to the environment in our engagement survey, now at 81 (+5 on FY2025).

The Watershed sustainability platform strengthens our energy, GHG, water and waste reporting and audit practices, and supports effective modelling and targeted action. The data in this report uses Watershed's global standard methodology.

Scope 1 & 2 emissions

We have consistently reduced operational emissions through energy efficiency, green electricity tariffs, solar self-supply and electric vehicles. Each business has a bespoke emissions reduction plan, supported since FY2023 by a demanding energy reduction metric linked to our Annual Incentive Plan. We have had emissions reduction targets linked to our Long-term Incentive Plan (LTIP) since FY2022. See page 52 for performance against these targets.

Scope 1 & 2 emissions fell 6% in the year.

Journey to Net Zero

Energy reduction

Energy use under our energy reduction metric fell by 5% in FY2026. All sites work to reduce day-to-day energy use. Flex-Tek completed many projects during the year, ranging from door and lighting upgrades to a major Thermaflex oven insulation project in which the pilot cut exterior oven temperatures by more than 30°C. This will improve safety, reduce HVAC load and deliver meaningful energy savings when implemented across the oven fleet.

Renewable electricity

75% of our operational electricity now comes from renewable sources through green tariffs and solar self-supply. We have four solar installations, including a 500MWh project completed at Flex-Tek Changshu during the year. To increase our renewable electricity share and strengthen the quality of our GHG reduction pathway, we are looking to close Virtual Power Purchase Agreement (VPPA) contracts in both Europe and the US.

Vehicle fleets

In FY2026 we launched a Smiths-wide Global Fleet and EV Policy to reduce emissions and improve efficiency. Over the next five years we will:

- Transition away from diesel vehicles where market conditions allow
- Prioritise electric and low-emission vehicles with 50% of our global fleet electric or hybrid
- Simplify fleet operations, standardise vehicle models and consolidate suppliers for cost and environmental efficiency
- Ensure 50% of our employees have access to an on-site EV charging point

John Crane has completed a detailed review of its global vehicle fleet of more than 800 vehicles and set a regional roadmap to align with the new policy. Some petrol and diesel vehicles will remain necessary for customer sites where electric or hybrid vehicles cannot operate.

Scope 3 emissions

Our Scope 3 path to Net Zero is based on supplier engagement and reporting, supplier science-based targets and grid decarbonisation.

EcoVadis helps us engage more deeply with suppliers, including upstream and downstream logistics providers, and target reductions in Categories 1, 4 and 9. We aim to have 25% of supplier spend with suppliers committed to SBTi targets by FY2027 (9% in FY2026). We are also using Watershed hotspot analysis to target Scope 3 improvements, alongside Excellence projects that reduce scrap and waste. The circularity and eco-design work described on page 30 will support longer-term reductions in Category 11 emissions.

Scope 3 emissions increased slightly year-on-year, reflecting continued business growth and the acquisition of DRC in Flex-Tek. The increase was also driven by greater spend across operating expenditure categories.

FY2027 priorities

- Deep-dive on Scope 3 emissions and reduction priorities for current portfolio
- Re-submit to the SBTi including re-baselining and defining a clear Transition Plan Taskforce-aligned transition plan for Scopes 1, 2 and 3
- Revisit climate-related scenario analysis
- Implement Global Fleet and EV Policy



Targets:

- Net Zero Scope 1 & 2 emissions by 2040
- Net Zero Scope 3 emissions by 2050
- 2% reduction in energy use FY2026 vs FY2025
- 80% renewable electricity by FY2027
- Scope 1 & 2 emissions SBTi trajectory
- 25% of supplier spend committed to SBTi targets by FY2027

UN SDGs:





CULTURE AND SUSTAINABILITY CONTINUED

NATURAL RESOURCES AND BIODIVERSITY

Natural resources are finite, and how we use them matters. We are focused on sourcing responsibly, reducing consumption, preventing pollution and limiting biodiversity impacts across our operations and value chain. This builds on our longstanding commitment to non-GHG resource targets, strong environmental standards and responsible stewardship.

Environmental management

Our environmental and safety standards ensure we manage sites responsibly and mitigate pollution and safety risks from our activities and use of controlled substances. Performance is monitored through internal audit and an external environmental compliance audit programme. All operational sites with more than 100 colleagues must be certified, or working towards certification, under ISO 14001.

Our businesses also share best practice through regular forums to support compliance with global restricted and controlled substance regulations

including WEEE, RoHS, Prop65, REACH, TSCA and Responsible Minerals. We had no spills and one environmental compliance penalty in FY2026.

Water, waste and packaging

We continue to reduce unrecycled waste, water use and unnecessary packaging across our operations. Our three-year targets cover waste reduction, water use in water-stressed areas, and waste/circularity and biodiversity/water projects. A project tracker records site-level actions and helps maintain momentum, with many projects delivered using Smiths Excellence tools. Our water-stressed site list is updated dynamically.

Recent projects include:

- John Crane’s Czechia site replaced the 17kg wooden crate used for shipments to Australia with a paper based carton solution weighing only 7kg, reducing packaging material consumption and waste as well as freight costs
- Flex-Tek Aerospace’s Kreiser site installed a water distillation process that cut monthly water spend from \$10k to \$600

To prepare for the EU Packaging and Packaging Waste Regulation (PPWR), we are collecting packaging data across all EU sites to support conformity declarations.

In FY2026, normalised water use in water-stressed locations fell 2.2% and normalised waste disposal fell 16.8%. We recorded five water projects and 17 waste/circularity projects during the year.

Nature and biodiversity

We are committed to understanding and addressing the biodiversity-related impact of our products, our operations and our supply chains in a proactive manner.

Since 2024, all sites under operational control have been evaluated annually for biodiversity-related impacts and their proximity to critical or high biodiversity value habitats using the WWF Biodiversity Risk Filter Suite Tool and other complementary tools. This analysis is refreshed each year. To date we have never operated in a key biodiversity hotspot area. Biodiversity and nature considerations are also factored into business decision-making such as the due diligence process for selecting new sites and EcoVadis supplier questions.

We recorded ten biodiversity improvement projects during the year.

As described on page 23 biodiversity and environmental improvement are one of the three funding routes chosen for the Smiths Foundation. We are a corporate supporter of the World Land Trust (WLT) to protect land in biodiversity-sensitive areas, and we will have planted 32,000 trees with Treeapp in Brazil and the UK by the end of 2026.

FY2027 priorities

- Deep-dive water-stress analysis at each of our sites
- Publish water stress policy and mitigation for sites in water-stressed regions
- Install more water meters to improve data and visibility of water use



Targets:

- 5% reduction in water use in water-stressed areas normalised to revenue FY2025 to FY2027
- 5% reduction in waste disposal normalised to revenue FY2025 to FY2027

UN SDGs:



FY2026 vs FY2024	
Normalised water use in stressed areas (7 locations ¹)	(6.9)%
Normalised waste disposal	(10.0)%
FY2025 – FY2026	
Waste/circularity projects	31
Biodiversity – water projects	14

1 Updated annually based on the World Resources Institute (WRI) Aqueduct tool.

MANAGING OUR RISKS

Effective risk management is integral to how we deliver sustainable growth and long-term value. It supports strategic execution, strengthens resilience and helps us respond decisively to an evolving external environment.

Our approach reflects the structure of Smiths and the markets in which we operate. Our enterprise-wide framework provides a clear and consistent basis for identifying, assessing and managing risk, while our operating model supports timely, risk-informed decision-making by those closest to the business.

Following the completion of our portfolio reshaping, Smiths is now a focused, premium industrial engineering company centred on John Crane and Flex-Tek. As a result, our risk profile is concentrated in the end markets, technologies and operating capabilities of those businesses. Risk management therefore remains central to how we protect performance, support execution and position Smiths for long-term value creation.

Our approach to risk management

Risk management is embedded across the organisation. Our businesses and functional teams are responsible for identifying and managing risk at source, enabling timely escalation and informed decision-making. This local accountability is aligned with our Values and is reinforced through our policies, controls and governance processes.

We take a balanced and forward-looking view of risk. Well managed risk taking supports innovation, growth and disciplined capital allocation. Our framework considers both downside exposure and the opportunities associated with strategic change, technology development, market evolution and sustainability.

Our enterprise risk management (ERM) framework is integrated into our strategic planning, capital allocation and operational management processes. This helps ensure that material risks are considered alongside performance, investment and execution decisions.

Governance and oversight

The Board has overall responsibility for risk oversight and sets the tone from the top, including the Smiths risk appetite and expectations for governance and culture.

The Executive Committee is responsible for embedding the ERM framework and ensuring it is applied consistently. The Audit & Risk Committee reviews the effectiveness of our risk management and internal control systems. Internal Audit provides independent assurance over key risk areas, processes, programmes and controls.

This governance structure supports effective communication between the Board, Audit & Risk Committee, Executive Committee and local teams, helping ensure that risk insight, escalation and action are appropriately coordinated.

Our ERM framework

The development of the Smiths ERM framework is the responsibility of the Executive Committee which ensures it is effectively deployed throughout the business. The model is based on 'Three Lines of

Defence' with processes in place to support open communication on risk between the Board, the Audit & Risk and Executive Committees, our businesses, functions and sites. It enables us to identify, manage and monitor opportunities and risks which could threaten the successful execution of our strategy and ensures our strategic, financial, compliance and operational risks are appropriately considered by the Executive Committee and the Board. In FY2026, the principal risk register and all business risk registers were refreshed to ensure the most current insights were captured. In addition, 15 operational risk workshops were facilitated at key sites to enhance our bottom-up view of risk and ensure strong local engagement in the process.

Emerging risks

Emerging risks and horizon scanning form part of our ERM process. Activities take place across our businesses and functions to identify developments that could affect our strategy, operations or stakeholders over time.

Current areas of focus include the evolving geopolitical and trade environment, cyber threats and third-party dependency, regulatory developments, restricted substance regulation, artificial intelligence, and the implications of climate transition and physical climate risk.

Material controls

We continue to strengthen our approach to material controls in preparation for reporting requirements under the UK Corporate Governance Code which Smiths will need to comply with for the year ending 31 July 2027. During the year, we progressed our work to identify and refine the controls that are most important to the resilience of the company across financial, operational, reporting and compliance risk.

This work builds on our existing global controls framework and is intended to support a more consistent, evidence-based view of the controls that matter most to the delivery of our strategy and the resilience of Smiths.

The Directors consider the risk management process to be effective.



ERM framework

See our ERM framework
Page 34

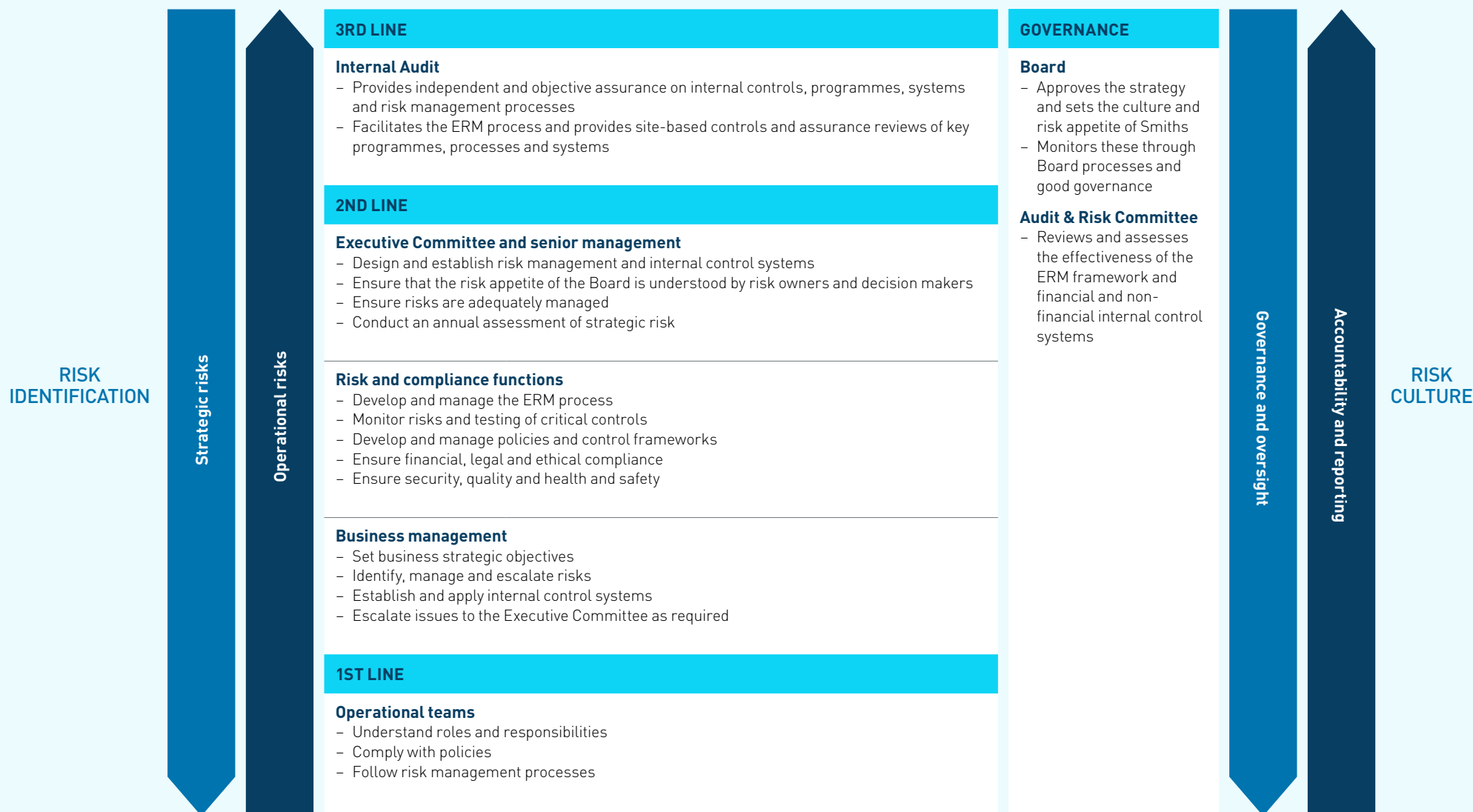


Audit & Risk Committee

Read more about
Board oversight of risk
management and internal
control in the Audit & Risk
Committee report
Page 69

MANAGING OUR RISKS CONTINUED

Enterprise risk management framework



PRINCIPAL RISKS AND UNCERTAINTIES

We maintain a register of principal risks and uncertainties that could materially impact Smiths financial performance, operations and achievement of strategic objectives.

Risk review process

On an annual basis, we review each principal risk and assess gross impact, assuming no mitigating controls are in place, and residual impact and likelihood after taking account of existing mitigations. We also consider reputational impact and velocity, which reflects the speed at which a risk could crystallise. Together, these inform our risk priorities and mitigation activity. A trend metric shows the net position of the risk year-on-year. We report on the connectivity between risks to help understand the potential for one risk to have an impact on another. This is presented against each risk in the form of a 'risk relationship' chart indicating the linkage between each principal risk and others on the list. This has been used as an input to the Viability Statement assessment and for risk scenario planning and mitigation work.

Changes to principal risks

Our principal risks continue to evolve in line with the external environment and the shape of the business. During the year, the most significant change has been the completion of our portfolio reshaping to position Smiths as a focused, premium industrial engineering company. Our principal risks are now aligned to this model and are framed around John Crane and Flex-Tek.

Strategic transformation remains a principal risk. However, its emphasis has evolved to focus on the delivery of growth targets, the effectiveness of deploying capital, and the scaling of innovation capability. While we continue to monitor and manage a wide range of risks, the tables that follow summarise those risks considered to have the greatest potential impact if they were to materialise.

Principal risks and uncertainties

Principal risk	Gross risk	Residual risk	Likelihood	Velocity	Trend
1. Economy and geopolitics Economy and geopolitical environment	High	Moderate	Almost certain	Days	
2. Cyber security Enterprise or product cyber event	High	Moderate	Almost certain	Days	
3. Business continuity Business disruption to supply chain or operations	High	Moderate	Probable	Weeks	
4. Technology Disruption by existing or future competitors	Very high	Moderate	Probable	Years	
5. Product quality Failure of product causes serious harm to people/property	Moderate	Low	Probable	Weeks	
6. Commercial Loss of focus on customers, not competing in the right markets	High	Low	Possible	Years	
7. People Ability to attract and retain people	Moderate	Low	Probable	Months	
8. Legal and compliance Significant ethical breach or failing to meet contractual obligations	High	Low	Possible	Days	
9. Climate change Missed opportunities in energy transition and change in climate conditions causing business disruption and economic loss	High	Low	Possible	Years	
10. Strategic transformation Failure to deliver required growth targets post-transformation	Very high	High	Possible	Months	



Key

Likelihood

Almost certain

>80%

Likely

>60%

Probable

>40%

Possible

>20%

Unlikely

<20%

Trend year over year

Stable

Up

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Connectivity between principal risks

Principal risk	Economy and geopolitics	Cyber security	Business continuity	Technology	Product quality	Commercial	People	Legal and compliance	Climate change	Strategic transformation
Economy and geopolitics		✓	✓			✓	✓			✓
Cyber security	✓		✓	✓						
Business continuity	✓	✓					✓		✓	✓
Technology		✓				✓	✓		✓	
Product quality						✓		✓		
Commercial	✓			✓	✓				✓	✓
People	✓		✓	✓				✓	✓	✓
Legal and compliance					✓		✓		✓	
Climate change			✓	✓		✓	✓	✓		
Strategic transformation	✓		✓			✓	✓			



Principal risks

Read more about how we manage our principal risks

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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

1. Economy and geopolitics – Impact of economic and geopolitical environment

The economic and geopolitical environment in which we operate remains unpredictable and subject to external pressures including regional conflict, trade disruption, tariffs, inflation and macroeconomic volatility. These factors may adversely affect demand for our products and services, increase input costs, disrupt supply chains and affect profitability.

How this could impact our strategy or business model

- Continuing geopolitical tensions and regional instability could adversely affect our operations, customers and supply chains
- Tariffs, export controls, sanctions or other trade barriers could increase costs, restrict market access and reduce competitiveness
- A regional or global slowdown could reduce demand in key markets
- Inflationary pressure and input cost volatility could affect margins if not offset through pricing, sourcing or productivity actions
- Changes in oil prices, freight markets, interest rates or construction activity could affect customer demand and investment decisions in our end markets including acquisition activity

Examples of how we manage this risk

- Ongoing monitoring of order flows, pricing, backlogs and other leading indicators
- Active management of pricing, sourcing and productivity to mitigate cost pressure

- Trade compliance oversight of geopolitical, tariff and export control developments
- Scenario planning and management review of significant external developments
- Portfolio realignment reduces exposure to volatility and geopolitical tensions in certain end markets

Examples of how we know the controls are working effectively

- Active business reporting on order trends, pricing and margin at monthly operating reviews
- Monitoring of inflation, tariff exposure and other relevant market indicators
- Regular updates to the Executive Committee and the Board on major external developments

Developments in FY2026

- Smiths risk profile is now concentrated in the end markets served by John Crane and Flex-Tek, increasing sensitivity to developments in energy, industrial demand, aerospace and US construction
- The conflict in the Middle East continues to disrupt oil and gas infrastructure and airport operations, limiting site access and increasing operational uncertainty. Prolonged disruption could slow customer investment decisions and delay service and installation activity and new project awards. We are also assessing indirect impacts, including rising energy and freight costs, longer shipping routes, extended lead times, and higher logistics and

- insurance charges. We are actively monitoring developments and evaluating any potential impact on our forecasts
- For John Crane, these developments are particularly relevant given the concentration of customer activity in energy and process markets where project timing, service access and customer investment decisions are sensitive to geopolitical disruption and oil-price volatility. The exposure, and therefore risk, for Flex-Tek is significantly less in these markets
- As of FY2026, the United States continues to apply tariffs to most UK goods entering the US market. Whilst the UK-US Economic Prosperity Deal has provided relief for certain sectors, including steel, aluminium and automotive products, many UK exports remain subject to tariffs that are higher than those prevailing prior to FY2025
- The tariff environment between the United States and China remains subject to ongoing policy developments. As a result, tariff-related cost pressures and supply chain uncertainty remain elevated

**CEO review**

Read more about the external environment in the CEO review

Page 8

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

2. Cyber security – Impact of enterprise or product cyber event

Cyber threats seeking to compromise the confidentiality, integrity and availability of IT systems, operational data and digital assets remain a continuing and intensifying risk. With increasing connectivity, advancing AI capabilities and reliance on third-party systems, any material breach could cause supply disruption, data loss, regulatory consequences, litigation and reputational damage.

How this could impact our strategy or business model

- A cyber attack or third-party compromise could disrupt operations, engineering, manufacturing, service delivery or financial processes
- Loss, corruption or unauthorised disclosure of sensitive information could result in legal, regulatory and reputational consequences
- Inadequate governance of AI could lead to data leakage, operational disruption and reputational and financial impacts
- Weaknesses in product cyber resilience could affect customer confidence, commercial performance or compliance obligations
- Divestment completion activities and changes to systems, access and data flows may increase transition-related cyber exposure

Examples of how we manage this risk

- Board oversight of Smiths cyber strategy and risk posture
- In-depth defence controls including AI-based security systems, supported by formal governance and monitoring

- Business-wide assessment and protection of critical information assets, systems and applications
- Annual threat assessments against recognised external frameworks
- Information security awareness and mandatory training
- Security monitoring, incident response and recovery linked to business continuity planning
- Cyber risk analysis embedded in relevant product lifecycle and engineering processes
- Oversight of cyber risks associated with critical third parties
- Relationships with key government agencies to keep updated with the evolving threat environment

Examples of how we know the controls are working effectively

- Formal reviews with the Executive Committee and Board
- Vulnerability scanning, event reporting and remediation tracking
- External reviews of threats, processes, controls and capabilities
- Completion and follow up of mandatory training
- Monitoring against recognised standards and internal requirements

Developments in FY2026

- Smiths continues to strengthen cyber resilience following lessons learned from the cyber incident in FY2025, with ongoing improvement activity focused on prevention, detection, response and recovery capabilities
- The increased frequency of AI-enabled phishing, ransomware and software supply chain attacks across the UK market, and the growing focus on identity attacks and vendor vulnerabilities means we continued to enhance our cyber resilience posture and strengthen relevant controls. We are actively monitoring regulatory and threat developments and update the Board on any material operational or financial impacts
- For John Crane and Flex-Tek, cyber resilience is increasingly important across manufacturing, engineering, customer service and field-based activity. A cyber event affecting these areas could disrupt operations, delay customer delivery and reduce service responsiveness
- Cyber resilience continues to be considered alongside broader operational resilience activity, recognising the potential for a cyber event to create business interruption, supplier disruption and site-level operational impacts across the organisation

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

3. Business continuity – Business disruption to supply chain or operations

Disruption to our global supply chains, manufacturing sites or customer operations due to geopolitical events, cyber attacks, or climate-related incidents may negatively impact our financial performance, customer delivery timelines and operational resilience.

How this could impact our strategy or business model

- Inability to deliver products and services to customers could adversely affect financial performance and reputation
- Cost pressure and volatility in commodities, freight and labour could reduce our ability to serve customers efficiently
- Critical supplier or site disruption could affect production, fulfilment, service delivery or project execution
- Business interruption at key locations or within customer operations could delay revenue and increase cost

Examples of how we manage this risk

- Risk assessments and business continuity, crisis management and disaster recovery plans for critical locations and operations
- Evaluation of key sites against a range of risk factors and actions to increase supply chain resilience where appropriate

- Mitigation plans for sole source suppliers, subcontractors and critical service providers, including alternative source qualification where appropriate
- Property damage and business interruption insurance

Examples of how we know the controls are working effectively

- We test business continuity plans annually
- Business risk deep-dives including actions taken to manage/mitigate risk are reviewed by the Audit & Risk Committee
- Business interruption risk surveys are completed annually with an external provider at key operational sites
- Insurance is reviewed at least annually by the Audit & Risk Committee

Developments in FY2026

- Internal Audit completed business continuity reviews of both John Crane and Flex-Tek during FY2026, identifying strengths in local crisis response processes while also highlighting areas where business-level alignment, documentation and consistency can be further strengthened

- We engaged a third party to lead a refresh of business continuity plans across Smiths. This work is intended to strengthen resilience across the organisation and improve the quality and consistency of response planning
- Conflicts in the Middle East and Ukraine continue to affect global logistics, with elevated shipping costs, route closures and prolonged lead time volatility reported across global supply chains. For John Crane, this risk is particularly relevant given the importance of field service delivery, customer site access and the continuity of supply into energy and industrial end markets
- For Flex-Tek, continuity risk remains closely linked to manufacturing site resilience, supplier dependency, labour availability and logistics disruption, particularly where volumes, lead times and customer delivery are sensitive to disruption in US construction, aerospace and thermal product lines

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

4. Technology – Technology disruption by existing or future competitors

If we fail to maintain our technological differentiation and our innovation pipeline does not meet customers' evolving requirements, we may lose market share to a new or existing competitor. This could impact our financial performance and our ability to attract and retain talent.

How this could impact our strategy or business model

- Erosion of technological differentiation could reduce competitiveness, pricing power and growth
- Failure to commercialise innovation effectively could lead to missed growth opportunities and weaker returns on investment
- We may fail to keep pace with customer expectations in growth areas such as energy efficiency, thermal management, digital enablement and performance-led solutions
- Inadequate protection of intellectual property could reduce the value of our innovation

Examples of how we manage this risk

- Portfolio positioning around markets where we believe we can sustain leadership through differentiation

- Continued investment in research, development, engineering and commercialisation
- Focus on new product development and innovation governance
- Use of customer insight to shape product roadmaps and technology priorities
- Robust intellectual property protection and enforcement where appropriate

Examples of how we know the controls are working effectively

- Product commercialisation progress assessed through operating reviews
- Technology priorities reviewed as part of strategic planning

Developments in FY2026

- For John Crane, the importance of maintaining technological differentiation in sealing, reliability and performance-led solutions is increasing, particularly where customers are seeking greater efficiency, lower emissions and stronger lifecycle performance

- For Flex-Tek, technology risk continues to be shaped by innovation demands and structural product and market shifts. This includes the need to respond to changing customer requirements in thermal management, aerospace and electrification-related applications, while continuing to adapt to disruption in parts of the construction portfolio
- Competitive pressure is intensifying from traditional original equipment manufacturers (OEMs) but also more digitally-enabled competitors with faster development cycles. Industrial customers are also placing greater emphasis on sustainability and lifecycle efficiency
- Regulatory expectations have continued to evolve. The EU AI Act is increasing expectations around transparency, testing, governance and risk management for AI-enabled products, while the UK Product Security and Telecommunications Infrastructure (PSTI) Act continues to require baseline cybersecurity controls for connectable products sold in the UK

5. Product quality – Failure of product causes serious harm to people/property

Failure of one of our products, including failure due to non-compliance with product regulation, may result in financial loss and reputational damage. In the ordinary course of business, we could be subject to material product liability claims and lawsuits, including potential class actions from customers or third parties.

How this could impact our strategy or business model

- Product failure causing material harm to people, property or customer operations could result in reputational damage, loss of business and additional cost
- Quality, design or manufacturing failures could lead to warranty exposure, contractual claims or product liability claims
- Quality issues in critical applications could affect customer confidence and future demand

Examples of how we manage this risk

- Business quality risk assessments and external audits covering product performance, safety and compliance
- Quality assurance processes embedded in manufacturing locations for critical equipment
- Quality development and quality integration within new product development
- Product cyber risk analysis and mitigation within relevant lifecycle processes
- Insurance cover for product liability and related risks
- Legal and commercial oversight of contracts, claims and litigation

Examples of how we know the controls are working effectively

- Regular quality reporting and actions to drive improvement in key metrics

- Governance frameworks and Delegation of Authority supporting appropriate control and escalation
- Close working relationship between legal, commercial and quality teams

Developments in FY2026

- For John Crane, quality and product integrity remain critical given the performance demands of customer applications, the importance of lifecycle reliability and the potential impact of any product failure on customer operations, service delivery and long-term customer confidence
- For Flex-Tek, quality risk continues to be shaped by the need to maintain consistent product performance and compliance across aerospace, thermal and construction-related product lines, while also managing supplier quality, manufacturing discipline and qualification requirements in key applications



CEO review

Read more about innovation in the CEO review

Page 8

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

6. Commercial – Loss of focus on customers and not competing in the right markets

Failure to adapt our commercial strategies in response to evolving customer expectations, procurement models, competitive dynamics and sustainability-linked requirements may reduce market share, impair profitability, and hinder access to growth opportunities.

How this could impact our strategy or business model

- Failure to develop growth markets and geographies could affect strategic progress and financial performance
- Weak alignment between customer need, innovation and commercial execution could reduce competitiveness
- Structural or cyclical shifts in end markets could affect demand, pricing or long-term growth potential
- Erosion of market leadership positions could affect returns and talent attraction

Examples of how we manage this risk

- Customer and market insight used to inform strategy, product development and commercial priorities

- Regular strategy reviews to evaluate adjacent market opportunities and competitive developments
- Commercial excellence activity, including pricing and market deep dives
- Focus on long-term customer relationships and service quality
- Use of disciplined capital allocation and selective M&A to support attractive growth areas

Examples of how we know the controls are working effectively

- Strategic reviews and business deep-dives
- Detailed monitoring of pricing, order trends and customer feedback
- Regular use of customer input to inform innovation, marketing and service improvement

Developments in FY2026

- The commercial risk profile of Smiths is now concentrated in the end markets served by John Crane and Flex-Tek, increasing the importance of remaining closely aligned to customer demand, market selection and the pace of change across those sectors

- Investment in low carbon technologies, including CCUS and hydrogen, continues to accelerate globally, supporting medium-term opportunities for John Crane's rotating equipment and sealing technologies
- In the US, housing affordability remains constrained, which continues to impact Flex-Tek's HVAC and flexible duct volumes. New build pricing incentives have supported activity in parts of the market, but existing home sales remain sluggish, limiting the pace of broader residential recovery
- Commercial aerospace demand has remained stronger, with delivery pipelines and aftermarket activity continuing to support demand across Flex-Tek's aerospace and fluid management product lines
- Smiths continues to monitor both cyclical pressures and structural market shifts across its key end markets, with ongoing focus on customer intimacy, pricing discipline, product-market alignment and selective investment in attractive adjacencies

7. People – Ability to attract and retain people

Smiths ability to deliver the next phase of its strategy depends on retaining and developing critical engineering, operational, commercial and functional talent across a smaller, focused organisation.

How this could impact our strategy or business model

- Inability to attract or retain key talent could affect performance, execution and customer delivery
- Loss of specialist capability could slow innovation, weaken operational resilience or reduce commercial effectiveness
- Competition for technical, digital and other specialist roles could increase hiring difficulty and cost
- Change associated with operating model simplification and portfolio transition could affect engagement and retention if not well managed

Examples of how we manage this risk

- Fair and competitive pay practices
- Focus on talent development and internal promotions with targeted interventions in specific markets

- Ongoing investment in leadership training and increasing the prevalence of early career programmes
- Succession planning and targeted retention activity for critical roles
- Internal mobility and capability development initiatives
- Obtaining employee feedback through employee surveys

Examples of how we know the controls are working effectively

- Formal employee engagement measures and regular people metrics
- Review of key talent indicators by the Remuneration & People Committee
- Monitoring of attrition, vacancy and time-to-fill data in critical areas

Developments in FY2026

- Following the completion of the Smiths Interconnect and Smiths Detection sales, the people risk profile of

the organisation has become concentrated around capability retention, leadership continuity and sustaining engagement through operating model change

- As a focused industrial engineering company, Smiths is increasingly reliant on retaining critical engineering, operational, commercial and functional capability across John Crane and Flex-Tek. This is particularly important where specialist knowledge, customer relationships and execution capability are central to performance
- For John Crane, the retention and development of technical, commercial and service capability remain important to supporting customer delivery, innovation and growth in key energy and process markets
- For Flex-Tek, several sites continue to experience structural labour constraints. Specialist roles can take longer to fill, driving overtime costs, productivity pressure and extended lead times



Markets and megatrends

Read more about markets and megatrends

Page 4



Culture and talent

Read more about culture and talent

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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

8. Legal and compliance – Significant ethical or compliance breach or failing to meet contractual obligations

Individuals may not always behave in accordance with the company's Values and legal requirements. We operate within increasingly complex legal regimes and often in highly regulated markets. We may also fail to meet contractual obligations due to delays, performance issues or breaches by suppliers or other counterparties.

How this could impact our strategy or business model

- An ethics or compliance breach could cause harm to our reputation, financial performance and customer relationships
- Failure to comply with trade compliance requirements could lead to fines, restrictions, delays or supply disruption
- Failure to meet contractual obligations could result in disputes, claims, penalties or loss of revenue
- Regulatory developments and governance failures could increase cost, distraction and reputational damage

Examples of how we manage this risk

- Proactive ethics and compliance programme, including Speak Out, investigations and training
- Anti-bribery, anti-corruption, anti-fraud and other relevant compliance training
- Policies, due diligence and approval processes for key third-party relationships
- Trade compliance oversight across Smiths
- Monitoring and responding to legislative and regulatory developments
- Embedded legal support in contract negotiations and the contract lifecycle

Examples of how we know the controls are working effectively

- Monitoring and reporting on training, investigations and compliance metrics
- Multiple inputs used to assess culture and ethical behaviour
- Oversight by the Executive Committee and Audit & Risk Committee
- Contract risk tools and legal review supporting disciplined negotiation and execution

Developments in FY2026

- The global legal and regulatory environment remained highly active in FY2026. Expanded sanctions regimes across the UK, EU and US continued to require enhanced due diligence, screening and monitoring across customers, suppliers, intermediaries and cross border transactions. Enforcement of export controls and national security review processes also remained elevated, increasing scrutiny around international sales, technology transfers and third-party relationships. The imposition of new tariffs particularly in the US required careful navigation
- As Smiths completed its portfolio reshaping, changes in legal entity structures, contractual responsibilities and data flows continued to require careful management. This included updated legal responsibilities, contract novation activity and refreshed data protection and governance arrangements to support regulatory compliance and continuity of obligations across the continuing business

- For John Crane and Flex-Tek, this remains particularly relevant given the importance of cross border sales, complex contract terms, regulated customer environments and the use of suppliers, distributors and other third parties in key markets
- The Economic Crime and Corporate Transparency Act 2023 continued to increase expectations around preventing, detecting and responding to economic crime. The failure to prevent fraud offence, effective from September 2025, has reinforced the importance of robust fraud prevention procedures, clear accountability and evidence of control operations
- During the year, we continued to focus on trade compliance, contract discipline, fraud prevention, investigations, policy oversight and the effectiveness of key ethics and compliance processes, recognising the importance of maintaining strong legal and compliance foundations as a focused industrial engineering company
- We also continued to monitor the evolving legal and regulatory environment to assess whether further enhancements to governance, training, due diligence or control activity were required

**Behaving ethically and legally**

Read more about behaving ethically and legally
Page 28

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

9. Climate change – Missed opportunities in energy transition and change in climate conditions causing business disruption and economic loss

Failure to identify and act on the significant opportunities arising from the world's transition to a low carbon economy and/or failure to respond appropriately to climate change risks and regulation could affect our commercial potential, reputation and resilience.

How this could impact our strategy or business model

- Failure to serve customers in decarbonisation, energy efficiency and related growth markets could reduce commercial potential
- Failure to progress our climate commitments could affect reputation and stakeholder confidence
- Physical climate events could disrupt sites, suppliers, logistics and customer operations
- Failure to communicate our approach to climate-related opportunity and risk could affect investor interest and broader stakeholder confidence

Examples of how we manage this risk

- Strategic review of opportunities arising from the energy transition
- Net Zero and broader planning across Scope 1, 2 and 3 emissions
- Performance measures linked to emissions reduction and energy efficiency
- Sustainability reporting and internal and external communication on environmental matters

Examples of how we know the controls are working effectively

- Innovation activity that contributes to sustainability outcomes
- Independent limited assurance over relevant climate and sustainability data
- Monitoring of external ESG benchmarks and employee feedback

Developments in FY2026

- Climate-related regulation and disclosure expectations continued to evolve in FY2026. The delay to the application timetable for parts of the CSRD and CSDDD has provided additional implementation time for some companies, but the broader reporting and due diligence landscape remains active and complex across multiple jurisdictions. In the UK, the FCA also consulted during FY2026 on moving listed issuers' sustainability disclosures toward alignment with UK Sustainability Reporting Standards
- During FY2026, John Crane announced additional energy transition wins, including contracts linked to geothermal, carbon capture, hydrogen and other lower carbon infrastructure applications, reinforcing the importance of maintaining strong positioning in growth areas linked to decarbonisation and industrial efficiency

- For Flex-Tek, the climate and sustainability agenda continues to be reflected both in existing product development and in portfolio evolution. The acquisition of DRC Heat Transfer extends Flex-Tek's position in industrial cooling technologies and increases exposure to higher-growth markets including data centres, supporting our broader focus on energy efficiency, thermal management and adjacent sustainability-linked applications
- Extreme weather events continued, with wildfire activity, flooding and heat-related disruption across a number of regions, reinforcing the physical risk profile associated with climate change
- Smiths continues to develop its climate-related reporting, governance and data capabilities, while also maintaining focus on sustainability-linked product development, progress against climate commitments and the integration of climate-related opportunity and resilience considerations into strategic planning



Climate change and Net Zero

Read more about climate change and Net Zero
Page 31

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

10. Strategic transformation – Failure to deliver required growth targets post-transformation

Following the completion of our portfolio restructuring, this risk has shifted to delivering sustainable growth. This includes achieving organic growth targets, effectively deploying capital, scaling commercial and innovation capabilities, and converting a focused portfolio into improved market positions, financial performance and shareholder returns.

How this could impact our strategy or business model

- Failure to achieve organic and inorganic growth targets could result in underperformance against market expectations and shareholder returns
- Insufficient revenue growth could limit margin expansion and constrain reinvestment capacity
- Ineffective deployment of capital (including M&A and organic investment) could reduce returns and delay strategic progress
- Over-reliance on a narrower portfolio or end markets could increase sensitivity to market activity and external shocks

- Failure to scale innovation or product development could limit future growth opportunities
- Misalignment between strategy, operating model and growth execution could reduce speed, focus and effectiveness of delivery

Examples of how we manage this risk

- Clear articulation of growth strategy, priorities and performance targets
- Executive oversight and governance of growth delivery, including regular performance reviews and challenge
- Disciplined M&A framework including dedicated teams and governance activities to review, close and integrate targets post acquisition
- Investment in innovation, product development and technology to support sustainable growth
- Active portfolio management to focus resources on higher-growth, higher-return opportunities
- Monitoring of external market conditions, competitor activity and macroeconomic risks impacting growth assumptions

Examples of how we know the controls are working effectively

- Organic growth, profitability and cash generation are performing in line with targets.
- Strategic growth initiatives and investment programmes are achieving agreed milestones and target outcomes.
- Innovation and product development activities are generating new revenue opportunities and supporting market competitiveness.
- Management identify and respond to changes in market conditions in a timely manner, supported by regular performance and forecasting reviews

Developments in FY2026

- Smiths risk profile is now concentrated on John Crane and Flex-Tek requiring more focus on growth strategies, capabilities and roadmaps for those businesses. This has led to a refreshed growth strategy under four headings: Accelerate, Innovate, Execute and Compound to maximise growth opportunities available to those businesses

**CEO review**

Read more about our strategy in the CEO review
Page 8

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Reporting requirement	Relevant policy or document	More information and related principal risk	
Environmental matters	Environmental Sustainability Policy – our commitment to minimising the environmental impact of our business activities, products and services worldwide	Key performance indicators	Page 19
	Waste Policy – the principles we have adopted to address our most significant waste impacts and issues	Climate change and Net Zero	Page 31
	Water Policy – the principles we have adopted to address our most significant water impacts and issues	Natural resources and biodiversity	Page 32
	ESG Supply Chain Due Diligence Policy – the due diligence processes we have adopted for supplier selection and monitoring to ensure ESG compliance	Managing our risks and Principal risks and uncertainties	Page 33
Climate-related financial disclosures	Environmental Sustainability Policy – our commitment to minimising the environmental impact of our business activities, products and services worldwide	Principal risk: Climate change	Page 43
	Waste Policy – the principles we have adopted to address our most significant waste impacts and issues	Task Force on Climate-related Financial Disclosures	Page 47
	Water Policy – the principles we have adopted to address our most significant water impacts and issues		
	ESG Supply Chain Due Diligence Policy – the due diligence processes we have adopted for supplier selection and monitoring to ensure ESG compliance		
Employees	Code of Business Ethics – outlines the ethical standards we all commit to	Key performance indicators	Page 19
	Human Rights Policy – recognises the important responsibility we have with respect to human rights	Climate change and Net Zero	Page 31
	Fair Employment Policy – designed to make Smiths a fair, inclusive and respectful place to work	Natural resources and biodiversity	Page 32
	Recruitment Policy – designed to attract, engage, develop and retain talented people who share our values and sense of purpose	Principal risk: Climate change	Page 43
	Health, Safety and Wellbeing Policy – describes our commitment to achieving excellence in the health, safety and well-being of colleagues	Task Force on Climate-related Financial Disclosures	Page 47
Social matters	Code of Business Ethics – outlines the ethical standards we all commit to	Building our culture	Page 22
	Data Protection Code of Conduct – sets out the standard for collecting and handling personal data about individuals	Safety	Page 24
	Supplier Code – our commitment to doing business safely, sustainably, lawfully and to the highest business and ethical standards	Talent	Page 26
	Modern Slavery Statement – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains	Behaving ethically and legally	Page 28
		Managing our risks and Principal risks and uncertainties	Page 33
		Principal risk: People	Page 41
		Section 172 Statement and stakeholder engagement	Page 63
		Remuneration & People Committee report	Page 77



Key performance indicators

See our KPIs
Page 19



Principal risks and uncertainties

Read more about our
principal risks
Page 35

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

Reporting requirement	Relevant policy or document	More information and related principal risk	
Respect for human rights	Code of Business Ethics – outlines the ethical standards we all commit to Modern Slavery Statement – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains Human Rights Policy – recognises the important responsibility we have with respect to human rights Speak Out Policy – outlines the circumstances in which an employee should Speak Out to report suspected wrongdoing and the appropriate channels to do so Responsible Minerals Sourcing Policy – addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights	Behaving ethically and legally Managing our risks and Principal risks and uncertainties Principal risk: Legal and compliance	Page 28 Page 33 Page 42
Anti-bribery and anti-corruption matters	Code of Business Ethics – outlines the ethical standards we all commit to Anti-Corruption Policy – sets out Smiths approach and controls to manage bribery and corruption risks Speak Out Policy – outlines the circumstances in which an employee should Speak Out to report suspected wrongdoing and the appropriate channels to do so	Behaving ethically and legally Managing our risks and Principal risks and uncertainties Principal risk: Legal and compliance Audit & Risk Committee report	Page 28 Page 33 Page 42 Page 69
Business model		Business model CEO review Key performance indicators Principal risk: Commercial	Page 5 Page 8 Page 19 Page 41
United Nations Sustainable Development Goals	Business has a vital role to play in delivering the UN SDGs. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to seven of these critical global goals.		



Behaving ethically and legally

Read more
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Policy due diligence and outcomes

Smiths is committed to fostering a culture of integrity and accountability. Our confidential Speak Out reporting hotline is central to this commitment, providing employees and stakeholders with a channel to raise concerns about potential breaches of our values, policies or the law. The hotline supports the assessment of policy effectiveness and helps ensure that our standards are upheld across Smiths.

The Internal Audit function supports this by conducting regular audits to assess adherence to key policies and procedures. In FY2026, audits included IT third party management, responsible sourcing and digital development governance, providing insight into policy application and control effectiveness in practice. In parallel, our Ethics & Compliance team issues targeted surveys to selected sites and functions each year. These surveys include questions on ethics awareness, Speak Out reporting, data protection, supplier diligence and other compliance topics, and are used to assess compliance with our Human Rights Policy and broader ethical standards.

Supporting information

More information on the company's principal risks and how they are managed can be found on pages 35 to 44. Our key performance indicators, including both financial and non-financial metrics, can be found on pages 19 to 20. The S172 Statement is on pages 63 to 64 in the Governance report.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Compliance statement

FCA Listing Rules

In this report, we set out our climate-related financial disclosures consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures pursuant to Listing Rule 6.6.6(R)8(a)(b). This includes all four of the TCFD pillars and the 11 recommended disclosures set out in the report entitled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021 by the TCFD. In completing this work, we made use of TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets and Transition Plans, and the TCFD Guidance for All Sectors. We are reporting against the TCFD framework in line with FCA Listing Rules.

Governance

Board

The Board has overall responsibility for our approach to sustainability matters, including climate change, and retains oversight of sustainability across the Group. The Audit & Risk Committee supports the Board through delegated responsibility for sustainability performance, climate-related risks and reporting. The Board receives an annual update on the Group's sustainability strategy and progress against its sustainability commitments. Sustainability matters, including climate-related opportunities, are also considered through business deep-dives at Board and Audit & Risk Committee meetings, as appropriate. Further information on our governance framework can be found in the Governance report on page 56.

Our Board has a collective competency for sustainability matters, including climate change. Individual Directors have sustainability experience gained from current and previous positions held at other companies. Further detail can be found in the Board biographies on pages 57 and 58 and the Board governance framework on page 56.

Executive Committee

Business Presidents form part of the Executive Committee and are responsible for their businesses' approach to sustainability, including climate change. The Executive Committee reports to the CEO, who reports directly to the Board six times a year.

Discussions at the Executive Committee relate to sustainability strategy and climate-related commercial opportunities arising from energy transition, electrification, resource efficiency and other structural market trends. It also monitors operational performance, including energy efficiency, GHG

emissions reductions and progress against sustainability commitments. Smiths overall approach, targets and sustainability reporting are overseen by the Chief People, Sustainability & Excellence Officer.

Climate-related risks are managed and reported in line with wider enterprise risk management (ERM) processes, with the outcomes of business assessments integrated into executive-level strategic planning and priorities. Climate-related opportunities, including those arising from decarbonisation and the energy transition, are considered by the Executive Committee and Board and inform Smiths strategic response to evolving market opportunities.

A number of key climate-related matters were discussed by the Executive Committee and Board in FY2026, including progress against science-based targets (SBTs), the agreement of new environmental targets and developments in climate-related market opportunities.

Executive remuneration

Scope 1 & 2 emissions reduction targets aligned to our SBTs continue to form part of our incentive arrangements. Climate-related metrics were first introduced in FY2023, with an energy reduction measure included in the Annual Incentive Plan (AIP) and a GHG emissions reduction measure included in the Long-Term Incentive Plan (LTIP), strengthening accountability for the delivery of our climate goals. These measures continued in FY2026, with an energy reduction metric included in the AIP and GHG reduction targets remaining in outstanding LTIP awards. An energy reduction metric will continue to form part of the FY2027 AIP. Further details can be found in the Remuneration & People Committee Report on pages 77 to 89.



Board governance framework

[Read more](#)
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Enterprise risk management framework

[Read more](#)
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Remuneration & People Committee report

[Read more](#)
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TCFD CONTINUED

Strategy

Climate risks and opportunities

We have identified a range of physical and transition risks and opportunities that could impact our business over the short (2026-2031), medium (2032-2037) and long term (2037 onwards).

While we recognise that climate-related risks will occur over short-, medium- and long-term horizons, our assessment determined that climate-related risks and opportunities are likely to impact the business in the medium and long term only and we believe that we remain resilient to short-term climate risks with the adaptation and mitigation strategies currently in place. We have also determined that none of the climate risks identified represent a material financial risk to the business in the time periods considered, although identified as a principal risk for Smiths in aggregation.

Strategic decisions relating to climate risks and opportunities

As the world transitions to a low-carbon economy, Smiths has identified climate-related opportunities arising from global investment in decarbonisation, electrification, resource efficiency and other structural market trends. Commercialising these technologies is a priority and is built into our businesses' strategic plans.

The Board considers sustainability and climate-related matters as part of its oversight of Group strategy and performance. This includes reviewing the Group's sustainability strategy, progress against sustainability commitments and the transition of our operations towards net zero. Climate-related opportunities are considered through business deep-dives and strategy discussions, as appropriate, while the Board receives an annual update on sustainability strategy.

Pages 69 to 75 and 55 to 65 detail the work of the Audit & Risk Committee and the Board.

Climate scenarios

In line with best practice, our analysis uses three different climate warming scenarios and three transition scenarios, both including a low-carbon pathway aligned to 1.5°C warming. We use these climate scenarios to inform management and relevant stakeholders within the businesses about climate risks. Climate risk data from our insurers has also been integrated into the assessment of physical climate risk to our sites. This data quantifies financial exposure to climate risk by risk type, modelled in line with our three climate scenarios.

Impact on the business, strategy and financial planning

Our Net Zero transition plan and GHG emission reduction targets for Scopes 1, 2 and 3 were approved by the Science-Based Target initiative (SBTi) in December 2023. These outline our operational Net Zero GHG trajectory to meet a 1.5°C scenario by achieving Net Zero Scope 1 & 2 emissions by 2040 and Net Zero Scope 3 emissions by 2050. These targets align with the Net Zero by 2050 targets set out by the UK and US governments (the UK and US being our largest areas of operation). Our transition plan was developed with consideration of the updated TCFD guidance and lays out our 2028, 2032 and long-term Net Zero milestones. The approach is aligned with the Science-Based Targets initiative (SBTi) Net-Zero Standard and considers carbon offsetting only as a last resort for unavoidable residual Scope 3 emissions. Following completion of the sales of Smiths Interconnect and Smiths Detection, we are undertaking a review of our SBT trajectory and will resubmit it to the SBTi for validation. New net zero trajectories aligned to the residual business will be published in FY2027.

Business-level initiatives and actions to reduce Scope 1 & 2 emissions are based on energy efficiency, green electricity (including implementation of solar

technologies and fleet electrification) and alternative fuels. The majority of our Scope 3 emissions will be addressed by in-country grid decarbonisation and via targeting significant suppliers with education and training to set and meet their own SBTs. More information can be found on page 31.

As noted above, opportunities identified within the climate scenario analysis are incorporated into business planning.

Risk management

We have a business-wide approach to risk management which is discussed in detail on pages 33 to 44. Details of how we manage our aggregate Climate change risk can be found on page 43.

Our discrete climate risk assessment work considers a wide range of risks relating to climate change, identified with the support of external technical specialists and then evaluated through business workshops. See climate risks and opportunities on pages 49 to 50. Risks include impacts relating to damage to assets from weather events, cost and availability of resources, regulation related to GHG emissions, and increased demand for technologies that support resource efficiency and decarbonisation. The identification process includes assessment of the full value chain, including impacts relating to key supply chain assets from extreme weather events.

The potential financial impacts of the climate risks and opportunities identified are categorised into:

Low: £25-50m effect on revenue

Moderate: £50-100m effect on revenue

High: £100-250m effect on revenue

Financial impacts are being reviewed as part of the planning for climate-related disclosures in FY2027.



Markets and megatrends

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Audit & Risk Committee report

[Read more](#)
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[Read more about our chosen climate scenarios on page 47 of our FY2025 Annual Report](#)

TCFD CONTINUED

A summary of our risk and opportunities assessment across each scenario can be found below.

		Potential financial impact					
		SSP1 – 2.6 Net Zero		SSP2 – 4.5 Current trajectory		SSP5 – 8.5 Breach of planetary boundaries	
		2030	2050	2030	2050	2030	2050
Risk and risk description	Response/actions we're taking and how they are managed						
Physical risks							
Environment (acute physical) Increased risk of property damage and business interruption from climate-related natural hazards at our operational sites, e.g. raised severity of storm activity. Here, the financial risk relates to increased costs and resulting revenue losses due to business disruption, repair and increased insurance costs.	All sites are required by policy to complete annual site-specific risk assessments through their business continuity plan review, which considers risks from a wide range of issues, including from severe weather. Sites have been identified as vulnerable, so mitigation measures are being put in place such as relocations; alert systems; guidance from insurance providers when sites come up for insurance policy renewal; and local, specific mitigation measures such as independent generators.	Low	Moderate	Low	Moderate	High	High
Environment (acute physical) Health and safety risks due to overheating from heatwaves and water supply issues due to regional water scarcity. This could lead to a loss of revenue due to operations having to be temporarily shut, as well as additional costs from heating and cooling.	A number of our facilities have been identified as vulnerable. There are health and safety risks associated with the increased frequency and severity of heatwaves, droughts and higher temperatures. Where necessary, cooling systems are being rolled out to mitigate risk.	Low	Moderate	Low	Moderate	Low	Moderate
Environment (acute physical) Weather events directly impacting transportation networks and global value chains. This could lead to a loss of revenue due to delays in getting products to market.	We have a localisation strategy in place to minimise travel distances by ensuring products are produced as close to customers as possible. Our supply chain strategy also looks to reduce reliance on single-source materials to increase resilience to regional disruption.	Low	Moderate	Low	Moderate	Low	Moderate

Opportunity and opportunity description		Response/actions we're taking and how they are managed		Potential financial impact					
				SSP1 – 2.6 Net Zero		SSP2 – 4.5 Current trajectory		SSP5 – 8.5 Breach of planetary boundaries	
				2030	2050	2030	2050	2030	2050
Physical opportunities									
Environment (chronic physical) Increased demand for Flex-Tek’s cooling systems. Ongoing extreme variation in global temperatures will increase demand for heating, ventilation and air conditioning (HVAC) systems from Flex-Tek globally.	Responding to increased revenue from demand for residential and commercial cooling systems driven by ongoing variation in global temperatures.	Low	Moderate	Moderate	Moderate	Moderate	Moderate		
Environment (chronic physical) New customers/markets for John Crane due to increased frequency and severity of dry spells/drought. John Crane has also identified an opportunity to develop sealing and water filtration technology for the transportation and cleaning of water in water-stressed locations.	We are reviewing and investigating ways to minimise travel distances by ensuring products are produced as close to customers as possible.	Low	Moderate	Low	Moderate	Moderate	Moderate		

TCFD CONTINUED

Risk and risk description		Response/actions we're taking and how they are managed		Potential financial impact					
				IEA WEO NZE High ambition Net Zero		IEA WEO APS Medium ambition announced pledges		IEA WEO STEPS Low ambition stated policies	
				2030	2050	2030	2050	2030	2050
Transition risks									
Political and legal risk Regulations relating to sustainability and GHG emissions would lead to increased costs for compliance and reporting, as well as costs associated with emissions reductions and monitoring.	We have an established Sustainability Group and other cross-functional working groups to monitor current and emerging regulations.	Moderate	Moderate	Low	Moderate	Low	Moderate		
Market risk New and emerging competitors. Reduced accessible markets due to increased competition in the Net Zero/energy efficiency space such as methane leakage. Increased competition could lead to reduced revenue.	John Crane has implemented procedures to track and respond to changes in demand from traditional oil & gas customers and target its portfolio of products and services to new customers and markets, e.g., hydrogen and carbon capture.	High	Low	High	Low	Moderate	Low		
Market risk Increased transportation costs due to greater fuel costs relating to freight and internal transportation.	Reduction in double handling of products, optimising space in freight through reusable and recyclable packaging solutions and exploring localised business models.	Moderate	Moderate	Low	Moderate	Low	Moderate		
Market risk Increased cost and reduced availability of critical raw materials leading to price volatility and production constraints.	Actions are taken based on trends such as pre-buys or vendor managed inventory. Businesses also periodically look at alternative materials.	Moderate	Moderate	Low	Moderate	Low	Moderate		

Opportunity and opportunity description		Response/actions we're taking and how they are managed		Potential financial impact					
				IEA WEO NZE High ambition Net Zero		IEA WEO APS Medium ambition announced pledges		IEA WEO STEPS Low ambition stated policies	
				2030	2050	2030	2050	2030	2050
Transition opportunities									
Products and services Growth in products market for John Crane from increased demand for energy efficiency and emission reduction products with increased revenue from sealing solutions that reduce hydrocarbon leakage.	Continuing development of next generation solutions for oil & gas and other industrial customers that align with their decarbonisation targets, such as via digitisation. Demand for energy efficient products and support for hydrogen and carbon capture projects has sustained due to increasing customer interest in energy security.	Moderate	Moderate	High	Moderate	Moderate	Low		
Products and services Demand for new products and services in the building and heating sectors for Flex-Tek anticipating changes in low emission technology and the potential outlawing of natural gas.	Flex-Tek has new products and services being developed that support the energy transition, e.g. electrical heating systems that replace gas as process heat in green steel production and tubing solutions for heat pump applications.	Low	Moderate	Moderate	High	High	High		

TCFD CONTINUED

Metrics and Targets

We have identified relevant metrics and targets to monitor progress in achieving our sustainability goals and to manage and mitigate identified climate-related risks and opportunities. These include: energy use, GHG emissions, % renewable electricity, reductions in water and waste, and water, packaging and biodiversity projects. These metrics and targets are monitored by the Board and inform decision making as we execute our strategic priorities. See pages 52 and 31 for our metrics and targets and a discussion of performance in FY2026. See page 52 for our SECR global energy use and emissions disclosure. See page 47 for how our metrics are linked to our remuneration arrangements. There were no changes to the methodologies applied in the calculation of emissions, carbon, or other environmental data during FY2026. To support like-for-like year-on-year comparisons against metrics and targets, emissions data has been adjusted to reflect changes in the Group's organisational boundary arising from acquisitions and divestments, with acquired and divested operations excluded from both the current and comparative reporting periods where applicable.

Energy and GHG emissions

GHG inventory

The company assesses the GHG emissions associated with all its global operations as well as the central function. We have developed a GHG Inventory Management Plan (IMP) that outlines our methodology to provide systematic and appropriate GHG inventory data collection, manipulation and management, to produce a relevant, credible and transparent GHG inventory that will provide visibility into our near- and long-term goals. The IMP includes methods to estimate

direct emissions from Smiths operations (Scope 1), indirect emissions from purchased energy (Scope 2), and value chain emissions (Scope 3). The methods prescribed in the IMP conform to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol and the United States Environmental Protection Agency (USEPA) Center for Corporate Climate Leadership Greenhouse Gas Inventory Guidance.

GHG boundaries

Per the GHG protocol, we have selected the operational control approach to set the organisational boundary for our GHG inventory, meaning 100% of GHG emissions from assets which the Company manages and over which it has authority to implement operational policies will be included. In selecting these organisational boundaries, we evaluated equity share, financial control and operational control approaches and primarily considered the comprehensiveness of assets that would be included in the inventory under each of the three approaches, as well as which boundary would best reflect the company's level of influence over emissions.

As for our operational boundary, which determines the direct (Scope 1) and indirect (Scope 2 and 3) emissions associated with operations within our organisational boundary, we defined this as operations where we have the full authority to introduce and implement operating policies. Operations or activities that are outside of our operational control and therefore excluded from our Scope 1 and Scope 2 inventories, may become relevant when accounting for Scope 3 emissions.

GHG emissions are reported in metric tonnes of CO₂ equivalents (MT CO₂e). Because individual GHGs have different impacts on climate change, or global warming potentials (GWPs), CO₂e is used to express the impact of emissions from each GHG on a common scale. Smiths uses the IPCC Sixth Assessment Report (AR6) GWPs.

Inventory boundary

Smiths will report all GHG emissions within its organisational and inventory boundary. Emissions are considered outside of the inventory boundary when they are quantified as not material.

Long-term targets:

- Net Zero emissions from our operations (Scope 1 & 2) by 2040 (SBTi)
- Net Zero emissions from our supply chain and products in use (Scope 3) by 2050 (SBTi)

TCFD CONTINUED

Performance and short-term targets

	FY2026	FY2025	Change	Target	Target Achieved
Energy use (MWh)	171,831¹	181,242	-5%	2% reduction in absolute MWh FY2026 vs FY2025	✓
Renewable electricity	75%	75%		80% by FY2027	
Scope 1 & 2 emissions (market-based) (tCO ₂ e)	25,121	26,663	-6%	SBTi trajectory	
Scope 3 emissions (tCO ₂ e)	600,371	580,953	3%	SBTi trajectory	
Supplier engagement	35%	28%		40% of supplier spend evaluated on EcoVadis by FY2027	
Supplier engagement Scope 3	9%	9%		25% of supplier spend committed to SBTi targets by FY2027	

1 FY2026 energy use adjusted to include Flex-Tek divestments' energy consumption, exclude the DRC acquisition and remove dual running impact associated with Acceleration plan site closures.

SECR global energy use and emissions disclosure

Reported numbers for the Group.

		FY2026 Total	FY2026 Continuing operations	FY2026 Discontinued operations	FY2025 Total	FY2025 Continuing operations ¹	FY2025 Discontinued operations ¹	FY2024 Total	Change FY2026 vs FY2025 Continuing operations
Global energy use – absolute values	MWh	Δ 207,316	162,305	45,011	213,519	157,555	55,964	218,344	3.01%
UK energy use – absolute values	MWh	8,969	3,614	5,355	9,385	3,678	5,707	9,661	
Global emissions – absolute values									
Scope 1 (direct emissions)	t CO ₂ e	Δ 17,561	15,037	2,524	17,422	14,541	2,881	18,758	
Scope 2 (market-based emissions)	t CO ₂ e	Δ 15,840	10,084	5,756	20,286	12,122	8,164	23,820	
Scope 2 (location-based emissions)	t CO ₂ e	42,553	30,961	11,592	46,732	32,361	14,371	47,150	
Scope 3 (value chain emissions)	t CO ₂ e	Δ 1,073,894	600,371	473,523	1,188,057	580,953	607,104	1,151,467	
Total Scope 1 & 2 emissions (market-based)	t CO ₂ e	Δ 33,401	25,121	8,280	37,708	26,663	11,045	42,578	[5.79]%
Total Scope 1 & 2 emissions (location-based)	t CO ₂ e	60,114	45,999	14,115	64,154	46,890	17,264	65,908	
UK Scope 1 & 2 emissions (market-based)	t CO ₂ e	1,029	179	850	1,228	257	971	1,341	
Global emissions – normalised values									
Scope 1 (direct emissions)	t CO ₂ e/£m revenue	5.6	7.8	2.1	5.2	7.7	2.0	6.0	
Scope 2 (indirect emissions)	t CO ₂ e/£m revenue	5.0	5.2	4.7	6.1	6.4	5.7	7.6	
Scope 3 (value chain emissions)	t CO ₂ e/£m revenue	340.2	309.9	388.1	356.1	306.1	422.2	367.6	
Total Scope 1 & 2 emissions	t CO ₂ e/£m revenue	10.6	13.0	6.8	11.3	14.0	7.7	13.6	[7.64]%

1 Results for the year ended 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Limited assurance

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected information marked with Δ. See www.smiths.com for full assurance reports.

GOING CONCERN AND VIABILITY STATEMENT

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 54. The financial position of the Company, its cashflows, liquidity position and borrowing facilities are described on pages 12 to 14. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has undertaken a detailed going concern review, as set out below, with a severe but plausible downside scenario modelled to assess the impact on the Group of a significant adverse global economic shock from political unrest or resurgence of a pandemic which leads to significant supply chain disruption, low customer demand and recessionary circumstances spanning several years.

At 31 July 2026, following the completion of the disposals of the Interconnect and Detection businesses, the Group held £1,747m of net cash. In the prior year, at 31 July 2025, the Group (including businesses held for sale) had £441m of net debt. At the end of July 2026, the Group had available cash and short-term deposits of £2,956m. These liquid resources are immediately available with 99% invested with the Group's global banking partners. The Group's debt profile shows an average maturity of 3.9 years (from 1.6 years at 31 July 2025). The Group's €650m 2.00% Eurobond 2027 is due to be repaid in February 2027, a new €650m Eurobond was issued in November 2025 which is not due for repayment until FY2034.

At 31 July 2026 the Group had one Revolving Credit Facility (RCF) from these banks. A US\$800m RCF which matures in May 2030. This RCF has no financial covenants attached and was undrawn at 31 July 2026.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of this Report, and that there are no material uncertainties that could impact the ability to do so. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Company and the Group.

In accordance with the requirements of the 2024 UK Corporate Governance Code, the Directors have assessed the longer-term prospects of the Group, taking into account its current position and a range of internal and external factors, including the principal risks detailed on pages 35 to 44 (the viability assessment).

The Directors have determined that a three-year period to 31 July 2029 is an appropriate timeframe for the viability assessment. The selected period is considered to be appropriate as, based on the historical performance of the Group, a three-year outlook represents an optimum balance of long-term projection and acceptable forecasting accuracy. The three-year viability assessment timeframe also takes into account considerations such as the maturity of the Group's borrowing facilities and the cyclical nature of the performance of the Group's underlying markets. In making this viability assessment, the Directors have considered the current financial position and prospects of the Group, including the current year business performance, the detailed operating plan for 2027 and forecasts based on the Group's strategic plan for 2028 and 2029. Against these financial projections, the Directors took into account the principal risks (as outlined on pages 35 to 44) to develop a set of plausible scenarios (as set out overleaf) with potentially high-impact outcomes.

- Foreign exchange rates for £ at US\$1.35 and €1.17 are modelled to remain at this level in the forecast period;
- Interest payments have been updated to reflect latest forecast interest rate increases, offset by interest received from increased cash. The viability model assumes no further refinancing with, if necessary, the Group's RCF drawn to maintain our minimum cash requirements;
- Dividend payments are projected to grow over the viability assessment period. Even under the various individual downside scenarios it has been assumed that dividend increases are maintained, with lower growth or cuts representing potential mitigation actions;
- The €650m Eurobond due for repayment in FY2027 was refinanced in FY2026 and is assumed to be repaid by cash on hand; and
- The previously announced £1.5bn share programme to return the Smiths Detection cash proceeds to shareholders commenced on completion of the £1bn buyback programme to return the Smiths Interconnect proceeds. The share buyback programmes are expected to run through calendar year 2027 in all scenarios, with a deferral being possible mitigation.

Consideration was then given to the magnitude of the gross risks and their potential impact, directly or indirectly, on the Group's future performance and liquidity. The assessment included stress testing of the Group's financial capacity to absorb the impact of such adverse events, either individually or in combination, and what mitigating actions the Group could take to respond to them in order to protect its business.

The Directors have also considered the Group's ability to raise additional liquidity. In performing this assessment, the Directors have taken comfort from the diversity of the Group's businesses across different markets, industries, geographies, products and customers. In order to ensure consistency, the base case used for the three-year viability assessment has also been reconciled against business impairment

GOING CONCERN AND VIABILITY STATEMENT CONTINUED

review models. The base case viability model includes the cashflow outflows of the share buyback programmes to return the majority of the cash proceeds of the Smiths Interconnect and Smiths Detection disposals, are modelled in the risk scenarios unless otherwise stated.

Based on the robust assessment of the Group's emerging and principal risks, including those that could threaten its business model, future performance, solvency or liquidity, the Directors confirm that, given the current strong cash position, under all scenarios they have a reasonable expectation the Group will

remain viable for the period being assessed and will continue to operate and meet its liabilities as they fall due. The Directors have no reason to doubt that the Group will continue in business beyond the period under assessment.

Scenarios modelled

Scenarios	Link to principal risks	Scenario-specific assumptions
Scenario 1 A significant economic shock (political unrest or resurgence of a pandemic) leads to significant supply chain disruption, low customer demand and recessionary circumstances spanning several years and well in excess of the impact felt in FY2020/21.	Business continuity and Economy and geopolitics	– 20% fall in revenue across the Group in all three years – 55% reduction in operating profit in FY2027 due to plant closures, customer and supply chain disruption, a 54% fall in FY2028 and 53% in FY2029 – Increased working capital due to stock builds and customer defaults – No mitigating activities such as restructuring and headcount reductions – Return of proceeds from strategic divestments continues as planned
Scenario 2 A cyber security incident impacts company-wide systems resulting in operational shutdowns and leak of confidential employee, customer and supplier data along with contractual breaches for late deliveries.	Cyber security	– 15% reduction in revenue in all years – Breach of contract legal defence costs of £20m per year – Increase in capex in FY2027 of £25m to strengthen security systems – One-off payment of £100m payable in FY2027 in settlement of the data leak claim – No mitigating activities such as restructuring and headcount reductions – Return of proceeds from strategic divestments continues as planned
Scenario 3 The current Middle East conflict continues preventing Smiths from operating in the region and impacting global trade routes.	Economy and geopolitics	– Loss of all future revenue from Middle East region – Additional costs of £10m per annum from increased freight costs – Return of proceeds from strategic divestments continues as planned
Scenario 4 Federal reserve policy causes US mortgage rates to remain high. Elevated financing costs and affordability constraints reduce residential demand and impact builder confidence resulting in the US housing market not recovering during this period.	Economy and geopolitics	– No revenue growth in Flex Tek's Construction or Thermal business units in any year – No mitigating activities such as restructuring and headcount reductions
Scenario 5 One of John Crane's mechanical seals is identified as faulty and the cause of an explosion at a major refinery causing the deaths of two staff and significant damage to the plant. John Crane is sued for the costs of repair and restoration of the plant in addition to the consequential losses of plant closure.	Product quality	– Legal defence costs of £20m per annum plus a one-off payment of £100m in FY2027 in settlement of the deceased's claims – Legal defence costs of £5m per annum over the review period in relation to agreement of restoration costs – Restoration costs of £50m spread over the three-year review period – Legal defence costs of £25m per annum over the review period in relation to mitigation of consequential loss claims – Insurance claim rejected, one-off payment of £250m payable in FY2027 in settlement of the losses claim

The Strategic report was approved by the Board on 21 September 2026.

By order of the Board

Roland Carter

Chief Executive

GOVERNANCE REPORT

Chairman's introduction

I am pleased to introduce our Governance Report, which explains our governance framework and how the Board discharged its responsibilities during the year.

FY2026 was a year of significant transformation for Smiths. Following the announcement in January 2025 of plans to divest Smiths Interconnect and separate Smiths Detection, the Board oversaw the successful completion of both transactions. This repositioned Smiths as a focused, premium industrial engineering company, delivering on the strategic actions announced in January 2025 to unlock value and enhance returns to shareholders. The Board also approved the next phase of Smiths strategy, oversaw the allocation of disposal proceeds and, following consultation with shareholders, supported enhanced returns through the share buyback programme while maintaining capacity for disciplined investment in future growth opportunities.

Board succession planning remained an important area of focus as we continued to strengthen the breadth of skills, experience and perspectives represented on the Board. Having considered the needs of the Board in the medium term and engaged with a number of very high-quality candidates, we were pleased to appoint Laurence Mulliez, Val Rahmani and Emma FitzGerald as Non-executive Directors. They are all highly experienced leaders and bring complementary skills, perspectives and insights that will further strengthen the Board and support Smiths as it delivers its strategy and long-term growth ambitions. Further details of the appointments and the Board succession process can be found in the Nomination & Governance Committee Report on page 66.

The Board also maintained a strong focus on leadership development, culture, risk management and internal controls. As Smiths evolved following the completion of the divestments, the Board reviewed its governance arrangements to ensure they remained aligned with the needs of a more focused business, including changes to the Board's committee structure.

During the year, the Board also undertook an effectiveness review, which concluded that the Board and its Committees continue to operate effectively, providing robust governance, effective oversight and constructive challenge, while identifying opportunities for further enhancement.

I would like to thank my fellow Directors and colleagues across Smiths for their dedication, resilience and commitment throughout a year of considerable change. Their efforts have enabled the successful delivery of major strategic milestones and position Smiths strongly for the future.

Steve Williams
Chairman



Further information about our compliance with the Code can be found as follows:

Board leadership and Company purpose

Page 56

Division of responsibilities

Page 60

Composition, succession and evaluation

Pages 65 and 66

Audit, risk and internal control

Page 69

Remuneration

Page 77

UK Corporate Governance Code compliance

In FY2026, and at the date of this report, the Company applied the Principles and complied with all applicable Provisions of the FRC's UK Corporate Governance Code 2024 (the Code) as explained throughout this report.

A copy of the Code is available from the Financial Reporting Council's (FRC) website at [frc.org.uk](https://www.frc.org.uk). Further information about how we have applied the Principles of the Code can be found in this report.

ROLE OF THE BOARD

The Board is responsible for promoting the long-term sustainable success of Smiths and creating value for shareholders, while having regard to the interests of other stakeholders.

It provides leadership by setting Smiths strategic direction, overseeing the execution of strategy and monitoring performance against agreed objectives, while ensuring alignment with Smiths purpose, culture and Values.

The Board also oversees Smiths risk management and internal control framework, reviewing the principal and emerging risks facing the business and assessing Smiths viability and resilience. Through regular review of financial and operational performance, strategic priorities, capital allocation and organisational capability, the Board seeks to support effective decision-making and the sustainable creation and protection of value.

The Board has established a governance framework that promotes effective oversight and clear accountability. This includes a Schedule of Matters Reserved for the Board and delegated authority to its Committees, each operating under formally approved Terms of Reference. This framework ensures that the Board receives timely and relevant information to support robust discussion, constructive challenge and effective decision-making.

The governance framework, including the Terms of Reference for each of the Board's Committees, is reviewed annually and is available on our website at www.smiths.com. The Directors may exercise all powers of the Company, subject to applicable legislation, regulation and the Company's Articles of Association.

Governance framework

Board			
Board Committees			
Nomination & Governance Committee Advises the Board on the optimal structure, size and composition of the Board and its Committees. It also leads the process for Director appointments and Director and senior management succession planning. Oversees the ongoing effectiveness of the Smiths governance framework.	Audit & Risk Committee Ensures the integrity of Smiths financial reporting and audit processes, and the maintenance of sound internal control and risk management systems, including oversight of the Internal Audit function and the Smiths ethics and compliance activities. Manages the relationship with the external auditor, including providing recommendations to the Board and shareholders in relation to the appointment and reappointment of the external auditor.	Remuneration & People Committee Responsible for Smiths Directors' Remuneration Policy and reviews and oversees Smiths remuneration strategy for the Executive Directors and senior management. Oversees, on behalf of the Board, the implementation of the People strategy for Smiths.	Chairman's Committee Acts on behalf of the Board on delegated matters between scheduled Board meetings.
Executive Management Committees			
Executive Committee Assists the Chief Executive Officer in discharging his responsibilities and is collectively responsible for implementing strategy, ensuring consistent execution and embedding the culture and values.	Investment Committee Assesses high-value and high-risk proposals, capital expenditure, M&A, asset disposal and special revenue expenditure projects which require Chief Executive Officer or Board approval.	Disclosure Committee Advises the Chief Executive Officer and the Board on the identification of inside information, and the timing and method of its disclosure.	

Evolution of the Governance framework

The Board regularly reviews its governance arrangements to ensure they remain aligned with Smiths strategy, priorities and business needs.

During the year, the Board reviewed the role of the Innovation, Sustainability & Excellence Committee and concluded that, as innovation, sustainability and operational excellence have become increasingly integrated into the execution of Smiths strategy, a dedicated committee was no longer required. The Committee was therefore retired following the 2025 AGM, with oversight of these areas now forming part of the Board's regular consideration of strategy and business performance.

In addition, following the successful completion of the divestments of Smiths Interconnect and Smiths Detection, the Board determined that the Separation Oversight Committee had fulfilled its purpose and

approved its disbandment. The Committee had been established to provide focused oversight of the programme. Throughout its operation it supported detailed oversight and timely decision-making between scheduled Board meetings, helping to ensure the successful completion of both transactions.

To support efficient decision-making between scheduled Board meetings, the Board also established the Chairman's Committee, comprising the Chairs of the Board Committees. The Committee is authorised to act on behalf of the Board on delegated matters, including M&A activity and other significant strategic projects, with all decisions reported to the Board at the next scheduled meeting.

Together, these changes ensure that Smiths governance arrangements remain proportionate, effective and aligned with Smiths strategic priorities.



Read more

Nomination & Governance Committee report

Page 66

Audit & Risk Committee report

Page 69

Separation Oversight Committee report

Page 76

Remuneration & People Committee report

Page 77

BOARD BIOGRAPHIES

Steve Williams Chairman

Appointed: 1 September 2023

C N R

Experience: Steve is currently Chairman of Enbridge Inc. He was previously Non-executive Chairman of Alcoa, Non-executive Director at TC Energy Corporation, advisory Board member of Canada's Ecofiscal Commission and Board member of the Business Council of Canada. Steve served as President and Chief Executive Officer of Suncor Energy Inc. Prior to this, he held a range of senior leadership positions at Suncor and spent 18 years at Esso/Exxon in commercial, operational and technical roles.

Skills and contribution to the Board: Steve has nearly 50 years of international energy industry experience and a strong track record of delivering growth and transformation, creating value for customers, shareholders, employees and communities. He brings extensive strategic leadership experience and a focus on sustainable long-term value creation.

Roland Carter Chief Executive Officer

Appointed: 26 March 2024

Experience: Roland has been with Smiths for over 35 years, having joined as an apprentice and subsequently holding a number of senior leadership roles, including President of Smiths Detection, President of Asia Pacific for Smiths Group and President of Smiths Interconnect, before being appointed Chief Executive Officer.

Skills and contribution to the Board: Roland has a strong track record of innovation, sustainability and delivering results, with deep operational and strategic experience developed over three decades at Smiths. He has extensive international experience, having worked in France, Germany, the US and China.

Julian Fagge Chief Financial Officer

Appointed: 1 February 2025

Experience: Julian joined Smiths as Group Financial Controller and was subsequently appointed Group Strategy and M&A Director, CEO of Flex-Tek and then President of Smiths Interconnect, before being appointed Chief Financial Officer. Prior to Smiths, Julian was Finance Director for UK & Ireland at Royal Caribbean Cruises and worked at Procter & Gamble. Julian is currently Non-executive Director at NASCIT plc.

Skills and contribution to the Board: Julian is a highly experienced leader, with a strong focus on value accretion and growth. He is experienced in strategy development, M&A and finance. Julian is a Chartered Accountant qualified with the Institute of Chartered Accountants of Scotland.

Pam Cheng Non-executive Director

Appointed: 1 March 2020

R

Experience: Pam is currently Executive Vice President, Global Operations, IT & Chief Sustainability Officer at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Prior to joining AstraZeneca, Pam was President of MSD (Merck & Co., Inc.) in China. She previously held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

Skills and contribution to the Board: Pam's experience in the areas of research and development, manufacturing, sales and marketing, commercial operations, supply chain management and technology strengthen the Board's discussions on embedding world-class operations.

Alister Cowan Non-executive Director

Appointed: 1 July 2024

A C N R

Experience: Alister is currently Lead Independent Director and Chair of the Audit, Risk and Finance Committee at The Chemours Co. He is also currently Non-executive Director and member of the HR & Compensation Committee and Audit Committee at Pembina Pipeline Corporation. Previously, Alister was Chief Financial Officer of Suncor Energy Inc., Chief Financial Officer of Husky Energy Inc. and held various positions with companies throughout Europe, New Zealand and Canada.

Skills and contribution to the Board: Alister has experience at complex global public companies and brings deep and wide-ranging experience in key end markets for Smiths, notably in the energy and chemical sectors. Alister is a member of the Institute of Chartered Accountants of Scotland.

Dame Ann Dowling Senior Independent Director

Appointed: 19 September 2018

C N R

Experience: Dame Ann has had a distinguished academic career and currently holds the position of Emeritus Professor of Mechanical Engineering at the University of Cambridge, having previously been Deputy Vice Chancellor and Head of Engineering. Previously, she was Non-executive Director and member of the Safety and Sustainability Committee of BP plc and President and Chairman of Trustees of The Royal Academy of Engineering.

Skills and contribution to the Board: Dame Ann is internationally recognised for her contribution to engineering research. Her knowledge and background in engineering, innovation and sustainability offer a different perspective to Board discussions.



Key

- A** Audit & Risk Committee
- C** Chairman's Committee
- N** Nomination & Governance Committee
- R** Remuneration & People Committee
- Committee Chair

All Non-executive Directors are independent and, in the Chairman's case, independent on appointment.

Other Directors who served during FY2026

Karin Hoeing, Mark Seligman and Noel Tata retired from the Board in FY2026. Their biographies can be found in our FY2025 Annual Report.



Read more

The biographies of our Executive Committee members can be found on our website.

BOARD BIOGRAPHIES CONTINUED

Emma FitzGerald
Non-executive Director**Appointment effective: 1 November 2026**

Experience: Emma is currently Non-executive Director of Seplat Energy plc, Newmont Corporation and the UK National Energy System Operator. She was previously CEO of Puma Energy International and held executive leadership roles at Severn Trent plc and National Grid plc. She was Non-executive Director at Graphene Manufacturing Group Ltd, UPM-Kymmene Oyj, DCC plc and Cookson Group plc. Emma spent over 20 years with Shell in research and development, strategy, marketing and general management across Europe, North America and Asia.

Skills and contribution to the Board: Emma brings international leadership experience across the energy, industrials and infrastructure sectors, with expertise in operational leadership, business transformation, energy transition and customer-led technology commercialisation. She is also an accredited Executive Coach.

Richard Howes
Non-executive Director**Appointed: 1 September 2022**

Experience: Richard is currently Chief Financial Officer of Bunzl plc. He has held CFO positions at various multinational businesses including Inchcape plc, Coats Group plc and Bakkavor plc. Prior to this, Richard was at Dresdner Kleinwort Benson and Ernst & Young.

Skills and contribution to the Board: Richard brings valuable insight to Board discussions, drawing on his extensive experience in senior financial roles across various sectors within large, listed companies. He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

Laurence Mulliez
Non-executive Director**Appointed: 1 September 2026**

Experience: Laurence is currently Non-executive Director of Siemens Energy AG. She was previously Chair of Voltaia SA and Globeleq Ltd and Non-executive Director of Morgan Advanced Materials plc, Aperam SA and SBM Offshore NV. She was also CEO of Eoxis renewable energy. Laurence began her career at BNP Paribas before going on to hold a number of senior executive roles at BP across the USA, Switzerland and the UK, in the oil and gas, chemicals and lubricants sectors including Global CEO of Castrol Industrial Lubricants.

Skills and contribution to the Board: Laurence brings strong strategic and sustainability expertise, underpinned by a track record of driving performance and growth in global industrial and energy businesses. Her international outlook and experience with complex, capital-intensive businesses are highly relevant to Smiths strategy.

Simon Pryce
Non-executive Director**Appointed: 1 February 2025**

Experience: Simon is currently Chief Executive of RS Group plc. He was a Non-executive Director of RS and Remuneration Committee Chairman until his appointment as CEO. Prior to that he was Chief Executive of Ultra Electronics Holdings plc and Chief Executive of BBA Aviation plc.

Skills and contribution to the Board: Simon is a highly experienced business leader of customer focused, global, industrial manufacturing and service businesses. He has a strong track record of driving results and delivering stakeholder outcomes through enhanced performance and the effective execution of organic and inorganic growth strategies. Simon is a Chartered Accountant.

Val Rahmani
Non-executive Director**Appointment effective: 1 October 2026**

Experience: Val is currently Non-executive Director of London Stock Exchange Group plc. She is also a Non-executive Director of RenaissanceRe Holdings Ltd and Entrust Corporation. She was previously Non-executive Director of Aberdeen Asset Management and Computer Task Group. Val spent more than 25 years with IBM in senior leadership roles, before serving as Chief Executive Officer of Damballa.

Skills and contribution to the Board: Val brings technology and governance experience gained through executive and non-executive roles in global businesses. Her experience spans cyber security, AI and digital transformation, alongside risk management, strategy and business transformation, including major strategic transactions.

James Down
Group General Counsel & Company Secretary**Appointed: 10 April 2026**

Having joined Smiths in 2016 and served in a number of senior legal roles, including Divisional General Counsel of Smiths Detection, James was appointed Group General Counsel in June 2023 and Company Secretary in April 2026. Prior to joining Smiths, James was senior counsel at former FTSE 100 constituent SABMiller and spent his early career at international law firm, Hogan Lovells.

**Key**

- Audit & Risk Committee
- Chairman's Committee
- Nomination & Governance Committee
- Remuneration & People Committee
- Committee Chair

HOW THE BOARD OPERATES

The Board operates within a formal Schedule of Matters reserved ensuring that decisions of strategic, financial and reputational significance are considered at the appropriate level and supported by effective oversight and accountability.

There is a clear separation of responsibilities between the Board and executive management. The Chairman leads the Board and is responsible for its effectiveness, while the Chief Executive Officer is responsible for the

day-to-day management of the business and for developing and executing the strategy approved by the Board.

To support informed decision-making, the Board receives regular updates from executive management on business performance, strategy execution, risk and financial matters. Business Presidents, functional leaders and external advisers attend Board and Committee meetings as appropriate, providing insight into operations, strategic priorities and talent pipeline.

The Chairman maintains regular engagement with the Non-executive Directors, the Senior Independent Director and Committee Chairs to support open dialogue and effective Board operation. The Senior Independent Director also leads the annual evaluation of the Chairman's performance.

The Chair of the Remuneration & People Committee acts as the Board's designated workforce engagement lead. During FY2026, Non-executive Directors engaged with the business through Board meetings, site visits and informal meetings outside the Board calendar with colleagues from a range of functions and businesses. Feedback from these engagements was reported to the Board and relevant Committees and informed discussions on culture, colleague engagement and business performance. Recognising the importance of operational engagement, the Board has planned a series of site visits across the organisation during FY2027.

Director attendance at Board and Committee meetings during FY2026 is set out below.

Director attendance

	Board	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Separation Oversight Committee ¹	Innovation, Sustainability & Excellence Committee ²	Ad hoc Board Committees
Steve Williams	6/6	4/4	–	6/6	3/3	–	6/6
Roland Carter	6/6	–	–	–	–	–	6/6
Julian Fagge	6/6	–	–	–	–	–	6/6
Alister Cowan	6/6	2/2 ⁴	6/6	6/6	3/3	–	5/5
Pam Cheng	6/6	–	2/2 ⁵	5/6 ⁶	–	1/1	4/5 ⁷
Dame Ann Dowling	6/6	2/2 ⁴	–	6/6	–	1/1	5/5
Karin Hoeing ³	0/2	0/2	–	0/3	–	0/1	0/2
Richard Howes	6/6	4/4	6/6	–	3/3	–	5/5
Mark Seligman ³	2/2	2/2	4/4	–	3/3	–	2/2
Noel Tata ³	2/2	2/2	–	–	–	1/1	2/2
Simon Pryce	6/6	–	6/6	–	3/3	–	5/5

1 Following the completion of the divestment of Smiths Detection on 30 June 2026, the Separation Oversight Committee was disbanded, as its remit was complete.

2 The Innovation, Sustainability & Excellence Committee was retired at the conclusion of the 2025 AGM.

3 Karin Hoeing, Mark Seligman and Noel Tata retired as Non-executive Directors at the conclusion of the 2025 AGM. Denominators reflect periods of service accordingly.

4 Alister Cowan and Dame Ann Dowling were appointed to the Nomination & Governance Committee at the conclusion of the 2025 AGM. Denominators reflect periods of service accordingly.

5 Pam Cheng was appointed to the Audit & Risk Committee at the conclusion of the 2025 AGM. Denominators reflect periods of service accordingly.

6 Pam Cheng was unavailable for an ad hoc Remuneration Committee meeting in April 2026.

7 Pam Cheng was unavailable for an ad hoc Board meeting in June 2026.

Note: The Chairman's Committee was established in June 2026 and no meetings have yet been held.



Board review

Read more

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Board activity and key decisions

Read more on Board activity and key decisions during the year

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HOW THE BOARD OPERATES CONTINUED

Division of responsibilities

Chairman

- Ensures the Board's continued effectiveness
- Shapes boardroom culture and encourages individual Director engagement
- Leads the Board and sets the Board agenda, determining the style and tone of discussions at Board meetings
- Leads the annual Board review

Chief Executive Officer

- Develops and proposes strategy to the Board
- Sets and communicates Smiths culture and values
- Leads the Executive Committee
- Manages the day-to-day operations of the Company
- Manages relationships with key stakeholders

Chief Financial Officer

- Supports the Chief Executive Officer in ensuring the development and execution of strategy
- Ensures the accuracy and completeness of Smiths financial statements to ensure they are a true and accurate reflection of the Company's performance
- Ensures Smiths operates robust risk management and internal control systems to ensure accurate and timely financial and non-financial reporting and ultimately to safeguard stakeholders' interests

Senior Independent Director

- Supports the Chairman in the delivery of the Board's objectives
- Serves as an intermediary for the other Directors, if necessary
- Is available to shareholders if they wish to raise any concerns
- Leads the Chairman succession process

Non-executive Directors

- Provide constructive challenge and strategic guidance to Board and Committee discussions
- Oversee management and the business and offer specialist advice
- Assess the effectiveness of the systems of internal control and risk management

Company Secretary

- Supports the Chairman in the efficient and effective functioning of the Board and its Committees
- Ensures the Board receives quality information in a timely manner
- Advises the Board on governance matters

Time commitment

All Directors are expected to devote sufficient time to discharge their responsibilities effectively. Non-executive Directors' letters of appointment set out an expected time commitment of 25 days per year, with the Chairman, Committee Chairs and Senior Independent Director committing additional time as required.

Executive Directors are not permitted to hold the chairmanship or more than one non-executive directorship in a FTSE 100 company, or any other significant external appointment. Proposed external

appointments are reviewed by the Board in advance, taking into account potential conflicts of interest and time commitments.

During FY2026, the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their responsibilities to the Company, having considered their commitments to other organisations.

Independent advice and insurance

Directors may seek independent professional advice, at Smiths expense, to assist them in the discharge of their duties. The Directors and Officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance. During FY2026, and up to the date of this report, qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force for the Directors and Company Secretary in respect of certain liabilities arising in connection with the performance of their duties.



Nomination & Governance Committee report

Read more about Board succession planning

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BOARD ACTIVITY AND KEY DECISIONS

The following pages provide an overview of the Board's principal activities and key decisions during FY2026. In reaching these decisions, the Board considered the interests of shareholders and other key stakeholders, including employees, customers, suppliers, communities and regulators. Further information on stakeholder engagement and how the Board discharged its duties under section 172 of the Companies Act can be found on page 63.

Strategy and financial performance

Portfolio transformation and capital returns

The Board oversaw and approved the actions required to complete the divestments of Smiths Interconnect and Smiths Detection, supporting the repositioning of Smiths as a focused, premium industrial engineering company. It also considered the allocation of the separation proceeds, balancing the return of proceeds to shareholders with the need to maintain financial flexibility for future growth, strategic investment opportunities and balance sheet strength.

In reaching its decisions, the Board considered the interests of shareholders, employees, customers, suppliers, governments and regulators. Its review covered valuation, execution certainty, regulatory and foreign investment approvals, employee consultation requirements, transition service arrangements, business continuity plans and alternative separation options, including a potential demerger of Smiths Detection. The Board also received regular updates on employee communications, customer continuity and transition planning, and reviewed investor feedback on a range of capital return mechanisms, including share buybacks, tender offers and special dividends.

Following consultation with shareholders, the Board determined that the majority of the disposal proceeds should be returned through an enhanced share buyback programme and convened a General Meeting to obtain the additional shareholder authority required to undertake the programme. This will enable a significant proportion of the disposal proceeds to be returned to shareholders by the end of CY2027.

Together, the transactions delivered a combined enterprise value of £3.3bn, ahead of expectations in both timing and value. The Board concluded that the transactions and associated capital allocation decisions were in the best interests of the Company and its stakeholders, enabling significant value to be returned to shareholders while retaining the flexibility to invest in future growth and support sustainable long-term value creation.

Performance, markets and capital allocation

Through regular operational and financial reviews, the Board challenged performance, assessed progress against strategic objectives and informed the allocation of capital across the portfolio, including Smiths Interconnect and Smiths Detection until their respective transactions completed. This ensured resources remained focused on the areas of greatest opportunity and supported disciplined growth and long-term value creation.

The Board also received updates from external experts on geopolitical, macroeconomic and capital market developments. These insights supported its assessment of future growth opportunities and helped ensure continued alignment between Smiths strategy, capital structure and financing arrangements.

As part of its oversight of capital allocation and financial resilience, the Board considered the long-term sustainability of Smiths pension arrangements, including the completion of a landmark £760m buy-in of the Smiths Industries Pension Scheme (SIPS) in July 2026. The Board considered the interests of pension



CEO review

Read more about strategy in the CEO review

Page 8



CEO review

Read more about capital allocation in the CEO review

Page 10

BOARD ACTIVITY AND KEY DECISIONS CONTINUED

scheme members, shareholders and employees, the Trustee's role in executing the transaction and the benefits of reducing future pension risk and balance sheet volatility. The Board supported the transaction, which secured the benefits of more than 10,000 members and means that all c.17,000 SIPS members are now fully insured across five annuity policies. The process was completed using existing scheme assets, with no additional contributions required from Smiths. The transaction secured members' benefits, reduced legacy pension risk and enhanced financial flexibility for Smiths.

Growth strategy and M&A

As part of its oversight of Smiths growth agenda, the Board approved the acquisition of DRC Heat Transfer, expanding Flex-Tek's thermal management capabilities and strengthening its position in attractive growth markets. In May, the Board also approved the next phase of Smiths strategy, reaffirming its focus on delivering growth and creating long-term value for shareholders.

Sustainability and innovation

The Board monitored delivery of the Group's sustainability strategy and reviewed progress against its environmental commitments, including emissions reduction and renewable energy initiatives. The Board also considered how innovation and new product development are enabling the business to capture growth opportunities linked to energy transition, electrification, resource efficiency and other structural market trends.

Financial planning and reporting

The Board also approved the FY2027 financial plan, external financial reporting and the Group Tax Strategy, providing a clear framework for the delivery of Smiths strategic and financial objectives while maintaining transparent communication with shareholders and other stakeholders.

People and culture**Board composition and succession**

The Board maintained a strong focus on leadership, succession and culture throughout the year. As part of its ongoing succession planning, it reviewed its composition to ensure an appropriate balance of skills, experience and perspectives, and approved the appointments of Laurence Mulliez, Val Rahmani and Emma FitzGerald as Non-executive Directors. These appointments strengthened the Board's capabilities to support the business into the next phase of its strategy.

Leadership, culture and wellbeing

The Board reviewed executive succession and leadership development plans to help ensure Smiths maintains a strong and diverse pipeline of talent capable of supporting its long-term strategic objectives. Workforce engagement activities undertaken by the Non-executive Directors, together with regular updates on employee engagement, culture and organisational effectiveness, provided valuable insight into colleague perspectives and helped inform the Board's discussions and decision-making. The Board maintained oversight of health, safety and wellbeing performance across Smiths, supporting the continued development of a strong safety culture.

The Board also monitored culture through colleague survey results, workforce engagement feedback, health and safety performance, Speak Out reporting, Ethics & Compliance updates, talent and succession planning activities and cultural review work. This enabled the Board to assess the effectiveness of actions taken to strengthen Smiths culture and leadership capability, supporting continued alignment between behaviours, purpose, Values and strategic priorities.

Responsible business and communities

The Board considered proposals for the future funding of the Smiths Foundation, including retaining a portion of the proceeds from the divestments of Smiths Interconnect and Smiths Detection. In doing so, it considered the interests of communities, employees and shareholders, and how the Company's financial resources could support community engagement,

charitable initiatives and colleague-led programmes while remaining focused on long-term value creation. The Board approved an additional £18.51m (reflecting our founding year) contribution to the Foundation, reinforcing Smiths long-standing commitment to supporting the communities in which it operates and advancing STEM-related initiatives. It also approved the Modern Slavery Statement, reinforcing Smiths commitment to responsible business practices and high standards of governance.

Governance, risk and oversight**Risk, controls and resilience**

The Board continued to oversee the effectiveness of Smiths governance, risk management and internal control frameworks, supporting the long-term resilience of the business. During the year, it reviewed and approved Smiths principal risks and maintained oversight of cyber security and resilience capabilities. This included oversight of management's response to the January 2025 cyber security incident, including IT general controls, the financial close process and wider business continuity actions. The Board also reviewed the Flex-Tek subsidiary balance sheet overstatement disclosed in the FY2025 Annual Report, which resulted in improvements to financial controls, balance sheet review processes, governance arrangements and accountability frameworks.

Governance framework and Board effectiveness

To reflect the completion of Smiths portfolio transformation programme, the Board approved changes to the governance framework, including the disbandment of the Separation Oversight Committee and the establishment of the Chairman's Committee. The Board also completed an effectiveness review and agreed actions to support its continued development.

**ERM framework**

See ERM framework
Page 34

**Talent**

Read more about talent
Page 26

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT

During FY2026, the Board oversaw a year of significant strategic change and the repositioning of Smiths as a focused, premium industrial engineering company. In carrying out its duties under section 172 of the Companies Act 2006, the Board considered the interests of shareholders and other key stakeholders, including employees, customers, suppliers, communities and regulators, with the aim of promoting

the long-term success of the Company and delivering sustainable long-term value.

Effective stakeholder engagement supports the Board's understanding of the matters most important to Smiths key stakeholders and informs its oversight and decision-making. The tables below summarise how the Board engaged with each stakeholder group during FY2026 and the outcomes of that engagement.

Further detail on how stakeholder considerations informed the Board's key decisions is set out below.

The Board kept its stakeholder engagement arrangements under review during the year and concluded that they remained effective in providing insight into stakeholder priorities and supporting informed decision-making.

People

	How the Board engaged	Outcome
People	Received updates on colleague wellbeing, organisational change, capability requirements and support during the divestments of Smiths Interconnect and Smiths Detection. The Board considered the importance of retaining and engaging colleagues through the divestment process, maintaining business performance and ensuring affected employees were appropriately supported.	Helped shape workforce priorities and talent strategies, supporting the transition to a more focused Smiths portfolio while maintaining colleague engagement and building capability for future growth.
Safety and wellbeing	Reviewed safety performance, including near misses, recordable events, injury and illness data, together with progress on Safety and Wellbeing Fundamentals training.	Reinforced the focus on continuous safety improvement and embedding a strong safety culture across Smiths.
Employee engagement and development	Considered feedback from the culture survey and received updates on early careers, learning and development, succession planning and the implementation of Workday.	Informed actions to strengthen engagement, develop talent and invest to ensure Smiths has the culture and capabilities needed to deliver its strategy.

Customers

	How the Board engaged	Outcome
Customers	Received updates through divisional business reviews and strategic deep-dives, enabling the Board to monitor customer demand, delivery performance, innovation and market opportunities.	Reinforced the focus on customer value, sustainable growth and operational excellence. Supported investment in differentiated technologies, strengthening long-term customer relationships and positioning Smiths to capture growth opportunities in attractive markets.
Operational performance	Reviewed progress against key operational targets supporting customer delivery.	Improved operational performance, including lead times and delivery capability, supporting better outcomes for customers.



Culture and sustainability
Read more about our people
Page 21



CEO review
Read more about our customers
Page 8

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT CONTINUED

Suppliers

	How the Board engaged	Outcome
Suppliers and partners	Received supplier-related updates through divisional business reviews and strategic deep-dives, supporting the Board's oversight of supply chain resilience, supplier relationships, operational performance and customer delivery.	Reinforced the importance of resilient supply chains and strategic partnerships in delivering sustainable growth and customer value.
Responsible sourcing	Received updates on supplier management and oversight, including the Supplier Code of Conduct and the use of the EcoVadis platform.	Strengthened supplier accountability and supported Smiths objectives on sustainability, ethical sourcing and compliance objectives.

Communities

	How the Board engaged	Outcome
Communities	Considered Smiths wider contribution through local employment, responsible operations and community investment, including activities marking the Company's 175th anniversary.	Reinforced Smiths commitment to creating long-term value for society alongside shareholders.
Community investment	Reviewed proposals to enhance the long-term funding of the Smiths Foundation and received updates on charitable initiatives and STEM programmes.	Approved increased funding for the Smiths Foundation, helping extend the Foundation's impact in communities where Smiths operates.
Responsible business practices	Received updates on community engagement activities, Smiths Tax Strategy and other operations that affect wider stakeholders.	Ensured Smiths continued to operate responsibly, supporting sustainable business practices and maintaining trust with wider society.

Governments and regulators

	How the Board engaged	Outcome
Governments and regulators	Considered engagement with governments, policymakers and regulators across key markets and received updates on regulatory developments affecting Smiths.	Supported compliance with evolving regulatory requirements and helped ensure Smiths interests were appropriately represented in key markets.
Strategic transactions and regulatory approvals	Reviewed regulatory matters relating to the divestments of Smiths Interconnect and Smiths Detection, including antitrust and foreign investment approvals, French works council consultation requirements and market disclosure obligations.	Supported the successful execution of strategic transactions while maintaining regulatory compliance, operational continuity and appropriate engagement with relevant authorities and employee representative bodies.
Geopolitical and regulatory risk	Considered geopolitical developments, including elevated Middle East tensions, and their potential impact on colleagues, together with the impact of new tariffs on our businesses.	Informed risk management and business continuity planning, helping Smiths respond effectively to external challenges and protect its people and operations.

Investors

	How the Board engaged	Outcome
Shareholders and capital providers	Considered feedback from shareholders on portfolio transformation, capital allocation and the return of proceeds following the divestments of Smiths Interconnect and Smiths Detection.	Informed the Board's approach to capital allocation, shareholder distributions and strategic direction, while supporting a clear narrative for long-term value creation.
Investor engagement	Received updates on investor engagement activities, including results presentations, shareholder meetings and discussions with current and prospective investors.	Enhanced the Board's understanding of investor priorities and market expectations, supporting effective decision-making and communication.
Shareholder dialogue	Engaged with shareholders through the AGM and other investor events, providing opportunities for feedback and discussion.	Strengthened transparency and trust, while ensuring shareholder perspectives were reflected in Board discussions and decision-making.



Culture and sustainability

Read more about
supply chain
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BOARD REVIEW

The Chairman is responsible for overseeing the annual review of the performance of the Board, its Committees and individual Directors.

In FY2025, the Board Review was externally facilitated as described in the FY2025 Annual Report. Progress against the priorities identified in that review is set out below.

FY2025 priorities	Progress made in FY2026
– Continuing to develop Smiths longer-term strategy including the Board's evolving risk appetite	– The Board maintained regular oversight of Smiths longer-term strategy and evolving risk appetite through strategy updates during the year.
– Increasing visibility of the external landscape	– The Board supplemented management reporting with external geopolitical and market perspectives, including sell-side and buy-side views, supporting its understanding of the external landscape. Market, customer and supplier insights were also provided through CEO and strategy updates and business reviews.
– Managing transformational change with an ongoing focus on Board composition, executive leadership development and overall culture	– The Nomination & Governance Committee maintained regular oversight of Executive and Non-executive succession, supporting continued focus on Board composition and leadership capability. Culture and people strategy updates were also considered during the year by the Board and relevant Committees.
– Developing the Board to work as a trusted team with increasing opportunities for informal collaboration among Board members	– Informal engagement between Directors increased through Board dinners and shared site visits, supporting Board cohesion and collaboration.
– Increasing site visits and workforce engagement opportunities	– The Board increased direct engagement with the businesses and workforce through one overseas Board meeting and 7 Director visits to John Crane, Flex-Tek and other Smiths sites in the UK, USA, Canada and Czechia.

FY2026 – internally facilitated Board review

In FY2026, the Board conducted its annual effectiveness review in accordance with the UK Corporate Governance Code. The evaluation was led internally and supported by a Lintstock questionnaire-based assessment, incorporating feedback from all Directors on the performance of the Board and its Committees. The findings were considered by the Board as part of its ongoing commitment to continuous improvement. Lintstock is independent of the Company and provides no other services to Smiths.

The review concluded that the Board and its Committees continue to operate effectively. Feedback highlighted a cohesive and engaged Board culture, strong leadership from the Chairman, high-quality debate, effective Committee oversight and constructive relationships between Non-executive Directors and

management. Directors recognised the significant progress made in recent years in reshaping the business, clarifying Smiths strategic direction and strengthening the foundations for future growth. The Board's annual strategy session was also identified as a particular strength.

The review identified several areas for continued focus as Smiths enters its next phase. These include maintaining oversight of the execution of Smiths strategy, supporting sustainable organic growth through innovation, considering value-creating acquisition opportunities, strengthening visibility of leadership talent and succession below Executive Committee level, and enhancing the Board's external perspectives on customers, markets and emerging technologies. The review also highlighted the importance of ensuring that Board capabilities continue to evolve in line with Smiths strategic priorities.

The Board has agreed a number of priorities for FY2027, including:

- Supporting the delivery of Smiths growth strategy;
- Maintaining oversight of organisational capability, talent and succession;
- Increasing engagement with the businesses through site visits and interaction with future leaders; and
- Continuing to review the Board's composition to ensure it has the skills, experience and perspectives required for the future.

Progress against these priorities will be monitored throughout the year as part of the Board's regular effectiveness activities.



CEO review

[Read more about strategy](#)
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NOMINATION & GOVERNANCE COMMITTEE REPORT

Chairman's statement

I am pleased to present the Nomination & Governance Committee's Report for FY2026. This was a particularly active year for the Committee, as we supported the Board through a period of significant strategic change and continued to ensure that the Board and wider leadership pipeline are well positioned for the future.

Board succession planning was a key priority during the year. Following the 2025 AGM, the Committee initiated a search for a new Non-executive Director, supported by Russell Reynolds Associates, which resulted in the appointment of Laurence Mulliez with effect from 1 September 2026. Following the Board's strategy review in May 2026, the Committee undertook a further search during the year, supported by Heidrick & Struggles, and subsequently recommended the appointments of Val Rahmani and Emma FitzGerald as Non-executive Directors. Together, these appointments further strengthen the breadth of skills, experience and perspectives represented on the Board.

The Committee also continued to oversee succession planning and leadership development below Board level. During the year, we reviewed Smiths talent pipeline and supported a number of initiatives designed to develop future leaders, including the introduction of a Board mentoring programme for Executive Committee members, a structured Executive Committee development programme and a pilot development programme for high-potential leaders.

Governance remained a key area of focus for the Committee during the year. To support the next phase of the Smiths strategy following the strategic actions announced in January 2025, the Committee reviewed Smiths governance framework, including the future role of the Separation Oversight Committee and the composition of the Board Committees. This led to the disbandment of the Separation Oversight Committee following completion of its remit and the establishment of a new Chairman's Committee, helping to ensure the Smiths governance arrangements remained aligned with the evolving business. Changes to Committee memberships were also made to support orderly succession planning and maintain an appropriate balance of skills, experience and workload across the Board.

Further details of the Committee's activities during the year are set out in this report. On behalf of the Committee, I would like to thank my fellow members for their continued commitment and contribution throughout the year.

Steve Williams

Chairman of the Nomination & Governance Committee

Committee membership and meetings

Details of the Committee members, their biographies and attendance at meetings during the year are set out on pages 57 to 59. The Chief Executive Officer is normally invited to attend Committee meetings, together with the Group General Counsel & Company Secretary and the Director of Governance who provide support to the Committee. Other members of senior management, including the Chief Financial Officer and the Chief People, Sustainability & Excellence Officer, are invited to attend as required.

Committee performance review

In FY2026, the performance of the Committee was considered as part of the wider Board review process described on page 65. Overall, it was confirmed that the Committee continues to operate effectively.

Non-executive succession

As part of its ongoing succession planning activities, the Committee reviewed the composition of the Board to ensure it maintained an appropriate balance of skills, experience and diversity to support the delivery of the Smiths strategy. During the period, the Committee led a number of Non-executive Director appointment processes, supported by Russell Reynolds and Heidrick & Struggles. Following rigorous selection processes, the Committee recommended the appointments of Laurence Mulliez, Val Rahmani and Emma FitzGerald as independent Non-executive Directors.

The Committee was satisfied that each candidate brought complementary skills and experience to the Board. Laurence brings extensive strategic and sustainability experience; Val brings deep expertise in



Steve Williams
Chairman of the Nomination & Governance Committee



Committee membership

Steve Williams

Alister Cowan

Dame Ann Dowling

Richard Howes

Top Committee activities this year

- Board succession planning, including the appointment of three new Non-executive Directors
- Review of the Board's governance framework
- Oversight of governance arrangements following the Smiths Detection divestment

NOMINATION & GOVERNANCE COMMITTEE REPORT CONTINUED

technology, cyber security, digital and AI; and Emma adds significant customer-led innovation experience across the energy, industrials and infrastructure sectors. Together, these appointments further strengthen the breadth of skills, experience and perspectives represented on the Board, support the delivery of Smiths strategy and contribute to orderly Board succession planning as Dame Ann Dowling approaches nine years' service on the Board in 2027.

Governance

During the period, the Committee oversaw further changes to Smiths governance framework to ensure it remained aligned with Smiths strategic priorities and evolving business profile. Following the 2025 AGM, the Innovation, Sustainability & Excellence Committee was retired, reflecting the increased integration of innovation, sustainability and operational excellence across Smiths. These matters are now considered by the Board as a whole, and by its existing Committees where appropriate, as part of their oversight of strategy, performance and risk.

The Committee also considered the governance structures required to support effective Board oversight as Smiths strategic actions progressed. Following completion of the divestment of Smiths Detection, the Board confirmed the establishment of a Chairman's Committee, with delegated authority to act on behalf of the Board between scheduled meetings where necessary. The Separation Oversight Committee, which had provided focused oversight of the divestments of Smiths Interconnect and Smiths Detection, was disbanded having fulfilled its remit.

Committee composition was also reviewed to ensure that each Committee remained appropriately constituted following recent Board appointments and other planned changes. Laurence Mulliez joined the Audit & Risk Committee with effect from 1 September 2026. Val Rahmani will join the Audit & Risk Committee with effect from 1 October 2026, at which point Pam Cheng will step down from the Committee. Emma FitzGerald will join the Nomination & Governance Committee with effect from 1 November 2026, at which

point Alister Cowan will step down from the Committee. These changes support orderly Committee succession, maintain an appropriate balance of skills, experience and workload across the Board, and enable each of the new Non-executive Directors to contribute where their experience is most relevant.

Induction

To support effective onboarding, each new Director receives a tailored induction programme designed to build a comprehensive understanding of strategy, businesses, governance framework, culture and key stakeholders. Induction programmes are being developed for Laurence Mulliez, Val Rahmani and Emma FitzGerald and are expected to include meetings with senior leaders, briefings from external advisers and visits to operational sites across the business. These programmes support each Director's integration into the Board and enable them to contribute effectively to Board discussions and decision-making from an early stage.

Information and training

To discharge their responsibilities effectively, Directors require access to accurate, timely and high-quality information. The Governance team supports the Chairman and Chief Executive Officer in ensuring effective information flows and that Directors receive the materials required to fulfil their responsibilities. Employees responsible for preparing Board and Committee papers also participate in regular workshops designed to enhance the clarity, quality and effectiveness of information provided to the Board.

The Board is committed to the continuous development of its Directors and receives regular updates on matters relevant to Smiths strategy, operations and external environment. During the period, the Board received briefings from internal and external experts on topics including the macroeconomic environment, geopolitics, investor expectations and developments in global capital markets. Directors also received updates from business leaders, functional specialists and external advisers to support their understanding of key strategic, operational, regulatory and governance

matters. Individual development requirements are reviewed annually as part of the Board effectiveness review process.

Independence and objectivity

The Committee is responsible for assessing the independence of the Non-executive Directors in accordance with the Code. As part of its annual review in July 2026, the Committee concluded that each Non-executive Director continued to demonstrate independence of judgement and character.

The Committee also specifically considered the continued independence of Dame Ann Dowling, who has served on the Board for more than six years. It was satisfied that Dame Ann continues to provide robust challenge, independent oversight and valuable contribution to the Board.

Director election and re-election

Each year, all Directors are subject to election or re-election by shareholders at the AGM, supporting continued accountability to shareholders. Following its review, the Board is satisfied that each Non-executive Director standing for election or re-election continues to be effective, demonstrates independent judgement and has the necessary time and commitment to discharge their responsibilities. Further information on Directors' expected time commitments is set out on page 60. The Senior Independent Director has confirmed, on behalf of the Board, that the Chairman continues to be effective and supports his re-election at the AGM. The appointment and replacement of Directors is governed by the Company's Articles of Association and the Companies Act 2006. The Articles of Association are available on our website and may only be amended by special resolution of shareholders.

Conflicts of interest

All Directors are required to avoid situations in which they have, or could have, a direct or indirect interest that conflicts, or may conflict, with the interests of Smiths. In accordance with the Company's Articles of Association and the Companies Act 2006, the Board has authority to approve potential conflicts.

**Board biographies**

See our Board biographies
Page 57

NOMINATION & GOVERNANCE COMMITTEE REPORT CONTINUED

Directors must obtain Board approval before accepting any new external appointment, whether or not it gives rise to a potential conflict. The Company Secretary maintains a Register of Conflicts, which is reviewed by the Directors at least twice a year, and the Board may vary or terminate any authorisation previously granted.

Diversity

Diversity of thought, background and experience supports the effectiveness of the Board and its Committees, and contributes to robust decision-making and oversight of Smiths. In line with the Board Diversity Policy, which is available on our website, the Committee considers diversity in its broadest sense as part of Board composition, appointments and succession planning.

The Committee keeps the composition of the Board and its Committees under review, taking account of Smiths strategic priorities, the skills and experience required, and the Board's diversity objectives. Appointments are made on merit, following a formal, rigorous and transparent process.

The Committee takes account of the recommendations of the FTSE Women Leaders Review and the Parker Review, as well as the diversity-related requirements of the UK Listing Rules. Numerical diversity data as at 31 July 2026, presented in the format required by Listing Rule 6.6.6R(10), is set out below. The data has been collected through voluntary self-disclosure by the Board and executive management, who were asked to disclose the characteristics with which they identify.

As at 31 July 2026, the Board did not meet all of its own diversity targets or those set out in Listing Rule 6.6.6R(9)(a). However, following the planned Board changes, women will represent 46% of the Board as at 1 November 2026.

To support its diversity objectives, the Committee uses executive search firms that adhere to the enhanced Code of Conduct on gender diversity and best practice.

Sex/gender representation	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
Men	6	75%	3	6	86%
Women	2	25%	1	1	14%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity representation

White British or other white (including minority white groups)	7	87.5%	4	6	86%
Mixed/Multiple ethnic groups	0	0	0	0	0
Asian/Asian British	1	12.5%	0	1	14%
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group including Arab	0	0	0	0	0
Not specified/prefer not to say	–	–	–	–	–

¹ Defined as the Executive Committee and the Company Secretary in accordance with Listing Rule 6.6.6R(10).

Diversity performance against targets

Gender – Board

Policy target

At least 40% of the Board to be female



31 July 2026

● Female 25% ● Male 75%

Gender – Key Board positions

Policy target

At least one of the Chairman, Senior Independent Director, Chief Executive Officer or Chief Financial Officer position will be held by a female



31 July 2026

● Female 1 ● Male 3

Ethnicity

Policy target

At least one Director from an ethnic minority background



31 July 2026

● Ethnic minority 1 ● White 7



Gender diversity

Diversity information for Smiths can be found on **Page 27**.



The Board Diversity Policy can be found on our website.

AUDIT & RISK COMMITTEE REPORT

Chair's statement

I am pleased to present the Audit & Risk Committee's Report for FY2026. This was a year of significant activity, as Smiths completed the strategic actions announced in January 2025 to divest Smiths Interconnect and separate Smiths Detection, repositioning Smiths as a focused, premium industrial engineering company. Against this backdrop, we focused on the areas most relevant to supporting the Board through a period of change including the quality and integrity of financial reporting, the strength of the control environment and the effective oversight of risk.

Financial reporting was a significant area of activity during the year, particularly in relation to the accounting judgements associated with the divestments of Smiths Interconnect and Smiths Detection. The Committee reviewed the related reporting, disclosure and control considerations, challenged management and KPMG on key judgements, and satisfied itself that the matters were appropriately reflected in Smiths reporting.

We also continued to oversee the enhancement of Smiths internal control framework, including preparations for Provision 29 of the 2024 UK Corporate Governance Code requirements that become effective for FY2027 reporting. This included reviewing the effectiveness of key controls, remediation activity and areas requiring further management focus.

Within this broader programme, a key area of focus was the review of the Flex-Tek subsidiary balance sheet overstatement disclosed in the FY2025 Annual Report. The Committee reviewed the accounting adjustments, challenged management's remediation plans and monitored implementation throughout the year. The matter reinforced the importance of maintaining strong financial controls and governance disciplines and resulted in a number of enhancements across the business.

Alongside its oversight of the control environment, the Committee continued to monitor Smiths principal risks, cyber security, ethics and compliance arrangements, sustainability reporting and performance against key sustainability targets, pension funding, investment and de-risking activities, and the effectiveness of Internal Audit. Together, these activities provided assurance over Smiths risk management, control and governance framework as Smiths continued to execute its strategic priorities.

The Committee continued to monitor the effectiveness and independence of KPMG as external auditor, including the additional work required in connection with the divestment transactions. We also commenced planning for the FY2027 external audit tender process.

Looking ahead, our priorities will include completion of the external audit tender process, continued enhancement of Smiths material controls framework and oversight of risks associated with operating as a focused, premium industrial engineering company.

I would like to thank my fellow Committee members, management, Internal Audit, KPMG and the Governance team for their support and contribution throughout the year. We remain committed to supporting the Board through robust oversight of financial reporting, risk management and internal controls.

Richard Howes

Chair of the Audit & Risk Committee



Richard Howes
Chair of the Audit & Risk Committee



Committee membership

Richard Howes

Pam Cheng

Alister Cowan

Simon Pryce

Top Committee activities this year

During FY2026 the Committee focused on:

- Financial reporting associated with the divestments of Smiths Interconnect and Smiths Detection
- Oversight of the Flex-Tek subsidiary balance sheet review and associated remediation actions
- Enhancement of Smiths internal control framework and preparation for Provision 29 reporting
- Review of principal and emerging risks
- Oversight of pension funding and de-risking activities
- Assessment of external audit effectiveness and preparation for the audit tender

AUDIT & RISK COMMITTEE REPORT CONTINUED

Committee membership and meetings

The Audit & Risk Committee comprises independent Non-executive Directors with a broad range of financial, accounting and sector experience. The Board considers that three members have recent and relevant financial experience for the purposes of the UK Corporate Governance Code and is satisfied that the Committee, as a whole, has competence relevant to Smiths sector. Collectively, members bring a strong understanding of the financial, operational, regulatory and risk matters affecting Smiths. Biographies and attendance records are set out on pages 57 to 59.

The Chief Executive Officer, Chief Financial Officer and KPMG lead audit partner attended Committee meetings by invitation. Regular attendees also included the Group General Counsel & Company Secretary, Group Financial Controller, Director of Internal Audit and Risk, Head of Ethics and Compliance, Director of Governance and other senior executives, as required.

The Committee held private sessions with the external auditor and the Director of Internal Audit at each meeting, without management present, to support open and independent discussion. The Heads of Internal Audit and Ethics & Compliance, together with the external auditor, have direct access to the Committee Chair.

Meetings are aligned with Smiths financial reporting cycle and follow an annual programme of work, enabling the Committee to discharge its responsibilities for financial reporting, risk management, internal controls and external audit oversight. The Committee Chair reported on the Committee's work to the Board following each meeting.

The Committee followed the Audit Committees and the External Audit: Minimum Standard during FY2026.

Committee performance review

As part of the annual Board review process described on page 65, the Board again confirmed that the Committee continues to operate effectively, fulfilling its responsibilities and supporting the Board in meeting its obligations.

Committee activities

Financial and narrative reporting

The Committee reviewed the FY2026 half-year and full-year results announcements, the Annual Report, and the Going Concern and Viability Statement before recommending them to the Board for approval. This review was undertaken against the backdrop of the strategic actions announced in January 2025 to divest Smiths Interconnect and Smiths Detection, repositioning Smiths as a focused, premium industrial engineering company.

As part of its review, the Committee considered the quality and integrity of Smiths financial reporting, the effectiveness of the related control environment and the appropriateness of disclosures to shareholders. The Committee received management certifications from the businesses and considered reports from management and KPMG on the significant reporting matters arising during the year, including separation accounting for Smiths Interconnect and Smiths Detection, profit on disposal judgements and estimates, post-retirement benefit de-risking, taxation, provisioning and the presentation of headline profit.

For each of these areas, the Committee challenged management and KPMG on the key assumptions, the level of estimation uncertainty, the availability of alternative accounting treatments and the clarity of the related disclosures. Following this review, the Committee concluded that the positions adopted were reasonable, supportable and appropriately explained in Smiths reporting. Details of the principal areas of judgement are set out on pages 71 and 72.

Sustainability reporting and assurance

The Committee monitored progress against sustainability targets and metrics. It also oversaw Smiths preparedness for new sustainability reporting and assurance requirements, including the supporting governance and control framework.

Fair, balanced and understandable

The Committee reviewed the FY2026 Annual Report to assess whether, taken as a whole, it is fair, balanced and understandable and provides shareholders with the information needed to assess Smiths position, performance, business model and strategy.

As part of this review, the Committee considered the consistency and balance of reporting across the Annual Report, including disclosures on strategy, performance, principal risks, internal controls, going concern and viability, and significant judgements and estimates. It also reviewed Smiths internal verification and review processes, feedback from KPMG, and whether key matters considered during the year, including the divestments and Flex-Tek control matters, had been appropriately and transparently reflected.

Following its review, the Committee recommended to the Board that the FY2026 Annual Report be confirmed as fair, balanced and understandable, which the Board approved.



Independent auditor's report

[Read more](#)
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AUDIT & RISK COMMITTEE REPORT CONTINUED**Significant financial reporting matters**

The key areas of judgement for FY2026 are as follows:

Areas of focus**Actions taken****Interconnect, Detection and Flex-Tek General Industrial separation accounting**

Following the completed disposals of Smiths Interconnect, Smiths Detection and two of Flex-Tek's General Industrial businesses, the presentation of discontinued operations, businesses held for sale and the related gain on disposal required judgement and estimation.

The Committee reviewed management's assessment of the accounting treatment for the completed disposals and the continued classification of the remaining Flex-Tek General Industrial businesses as held for sale. This included consideration of the relevant IFRS requirements, the progress of each disposal process, the presentation of the results and net assets of discontinued operations and the impairment/fair value less costs of disposal judgement previously recognised for the Flex-Tek General Industrial businesses.

The Committee also considered KPMG's year-end audit procedures over the accounting and disclosure for the completed disposals and the remaining businesses classified as held for sale. This included procedures over cut-off, classification as discontinued operations, held-for-sale presentation, impairment or fair value less costs of disposal judgements, and the related financial statement disclosures.

Following detailed reports and discussion with management and KPMG, the Committee concurred with management's proposed treatment and the related disclosure approach for the FY2026 financial statements.

The Committee also noted KPMG's updated risk assessment following the completion of the Smiths Detection disposal.

Profit on disposal judgements and estimates

Smiths has recognised a significant profit on disposal of discontinued operations from its completed strategic transactions. The profit calculation requires judgement over carrying values, transaction and separation costs, foreign currency reserve recycling and related completion adjustments.

The Committee reviewed management's estimate of the profit on disposal, including the assumptions supporting the calculation of proceeds, carrying values, transaction and separation costs and foreign currency reserve recycling. It challenged management on the basis for the estimates and the treatment of items recognised within discontinued operations.

The Committee considered KPMG's audit focus on the disposals, including inspection of the relevant sale agreements, review of management's accounting papers, procedures over completion adjustments and recalculation of the gain or loss on disposal. It also considered the evolution of the separation accounting judgements from FY2025, including the earlier classification of Smiths Interconnect as held for sale and discontinued, and the reclassification of Smiths Detection and certain Flex-Tek General Industrial businesses as held for sale and discontinued from HY2026.

The Committee agreed that the proposed judgement and disclosure approach was appropriate.

Post-retirement benefit de-risking

Smiths completed material pension de-risking activity during FY2026, including the TI Group Pension Scheme (TIGPS) buyout and a final buy-in transaction for the Smiths Industries Pension Scheme (SIPS). The accounting involves judgement over the settlement charge, recognition of any residual asset and potential future refunds.

The Committee reviewed the accounting implications of the completed TIGPS buyout and the SIPS buy-in, including management's judgement not to recognise potential refunds or residual assets at 31 July 2026 given the remaining uncertainty over recovery. It also considered the non-headline settlement charge arising from the SIPS transaction and the proposed accounting for the write-off of the IAS 19 accounting surplus.

The Committee also considered KPMG's updated risk assessment, including that the SIPS valuation is no longer expected to be a significant risk at year end, but remains a key audit matter for the Parent Company in relation to the accounting for the transaction, recognition of any surplus and adequacy of disclosures.

The Committee noted the position and agreed with management's proposed approach.

Taxation

Smiths tax position includes judgements over the effective tax rate, tax treatment of completed disposals, deferred tax asset recognition and open tax audit matters.

The Committee reviewed management's assessment of the FY2026 effective tax rate, including the continuing operations headline ETR forecast and the Group ETR including discontinued operations. It considered the key tax judgements, including the expected treatment of the Smiths Interconnect and Smiths Detection disposals under Substantial Shareholdings Exemption, the approach to UK and US deferred tax assets and the transfer of certain Detection Germany tax audit risks on completion.

The Committee also considered KPMG's year-end audit work over uncertain tax positions, disposal-related tax judgements and tax exposures, including management's Substantial Shareholdings Exemption analyses for Smiths Interconnect and Smiths Detection, the treatment of relevant deferred tax assets and transferred tax audit risks.

The Committee challenged the sensitivity of the tax position to final profit mix and Q4 performance and agreed with management's proposed approach.

AUDIT & RISK COMMITTEE REPORT CONTINUED**Areas of focus****Actions taken****Provisioning**

Smiths holds material provisions for John Crane, Inc. asbestos litigation and Titeflex CSST product claims. The valuation of these provisions requires judgement over assumptions, forecast periods and the level of estimation uncertainty.

The Committee considered the continued appropriateness of Smiths provisioning judgements, including the latest position on asbestos litigation and Titeflex CSST claims. It reviewed management's assessment that there had been no changes to the underlying assumptions, model or data inputs for the asbestos provision that would require reassessment at this stage.

The Committee also considered Bates White HY2026 and FY2026 asbestos expenditure forecast reports and continued to support a ten-year forecast period on the basis that probable expenditure beyond ten years remained not reasonably estimable given uncertainty in the US asbestos litigation environment.

The Committee noted KPMG's year-end audit response, including inquiries of management and Bates White, review of the expert opinion, analytical procedures, assessment of the relevant disclosures and substantive testing of the John Crane, Inc. asbestos litigation provision.

Headline profit

Smiths presents headline profit and non-headline items, which require adjustment to IFRS results. This remains a material judgement in FY2026 given the scale of strategic activity, pension settlement costs and legacy litigation movements.

The Committee reviewed management's application of Smiths accounting policy for non-headline items and challenged the classification of material items between headline and non-headline performance. It noted that the overall quantum of FY2026 non-headline items is extensive, primarily due to completed strategic transactions recognised within discontinued operations, and that continuing operations will also be affected by the retirement benefit scheme settlement loss following SIPS executing an insurance buy-in policy for its remaining uninsured liabilities and movements in legacy litigation provisions.

The Committee considered the consistency of the proposed treatment with prior periods and with Smiths policy, including KPMG's FY2025 observations on the presentation of alternative performance measures and the importance of clear, consistent disclosure of headline and non-headline adjustments.

The Committee also considered the heightened risk of management override of controls in FY2026, reflecting the scale and complexity of the Smiths strategic activity. It noted KPMG's planned focus on journals, non-headline expenditure, significant estimates and judgements, and indicators of potential management bias.

DRC Heat Transfer acquisition accounting

Flex-Tek completed the acquisition of DRC Heat Transfer during FY2026. The purchase price allocation includes identifiable intangible assets and goodwill, requiring judgement over valuation assumptions, useful lives and alignment with Smiths accounting policies.

The Committee reviewed management's assessment of the DRC Heat Transfer acquisition accounting, including the preliminary valuation of customer relationships, order backlog, brand and goodwill prepared with the support of external valuation specialists. It considered the key accounting policy alignment matters, including revenue recognition and commodity hedging, and noted that no material issues had been identified.

The Committee also considered KPMG's audit response, including inspection of the executed sale agreement, vouching of consideration, risk assessment procedures over acquired net assets, use of valuation specialists and planned review of IFRS 3 disclosures.

The Committee noted the work undertaken and agreed with management's proposed approach.

Goodwill impairment assessments

Smiths goodwill impairment assessment focuses on the remaining John Crane and Flex-Tek cash-generating units. The recoverable amount is determined using value in use calculations, which require judgement over forecast cash flows, discount rates and available headroom.

The Committee considered KPMG's year-end audit work over goodwill impairment, including the assessment of impairment indicators, challenge of cash flow forecasts, discount rates and sensitivity analysis, and the adequacy of related disclosures.

It noted that the year-end risk assessment reflected the completion or progression of the strategic transactions during FY2026 and now focused on the remaining John Crane and Flex-Tek cash-generating units.

The Committee also considered management's July update that higher discount rates had reduced headroom compared with FY2025, but that both John Crane and Flex-Tek continued to show significant headroom under the current assumptions. The Committee also noted that, given the significant headroom, impairment reviews of intangible assets would no longer be a key source of estimation uncertainty.

Following review and discussion, the Committee concurred with management's assessment.

AUDIT & RISK COMMITTEE REPORT CONTINUED

External audit

KPMG has served as the Company's external auditor since its appointment at the 2019 AGM. Michael Maloney acted as the lead audit engagement partner until his retirement following the FY2022 audit, after which Mike Barradell assumed the role from FY2023. In line with professional standards and KPMG's internal partner rotation policies, Mike's tenure will be limited to five years.

As disclosed in the FY2025 Annual Report, the Committee agreed to undertake an audit tender in 2027, aligned with audit partner rotation and ahead of the 2029 regulatory deadline. Acting on behalf of the Board, the Committee is overseeing the assessment of participating firms and final presentations from shortlisted candidates. It will recommend its preferred firm to the Board, with any appointment subject to shareholder approval at the 2027 AGM. The Committee will continue to oversee KPMG's independence, effectiveness, audit fees and any potential conflicts throughout the process. The Company complied with the relevant provisions of the Statutory Audit Services Order throughout FY2026 and up to the date of this report.

External audit plan and fees

The Committee reviewed and approved KPMG's audit plan and fees for FY2026, including the proposed scope, areas of focus and materiality levels. The Committee monitored audit progress throughout the year and considered reports from KPMG on the execution and findings of the audit.

Independence and objectivity

The Committee oversees policies designed to safeguard the independence and objectivity of the external auditor, including those governing the provision of non-audit services and the employment of former audit firm personnel.

The Committee received confirmation from KPMG that it remained independent in accordance with applicable professional and regulatory requirements. In addition, the Committee considered the effectiveness of the audit engagement partner and the wider audit team as part of its annual assessment of external audit effectiveness.

Non-audit services

The Committee's policy permits the external auditor to provide certain non-audit services where this is consistent with regulatory requirements and does not compromise independence or objectivity. Approval authority for permissible non-audit services is delegated to the Committee Chair and/or Chief Financial Officer within defined limits, with all such services reported to the Committee. The policy was reviewed during FY2026 and the Committee agreed that it remained appropriate without amendment.

In FY2026 total fees for non-audit services comprise 13% (FY2025: 10%) of audit fees. It should be noted that this ratio excludes £3.1m (FY2025: £1.7m) of reporting accountant services that were required to support the Company's legal and regulatory requirements associated with the Smiths Detection divestment process. These services supported the dual-track potential sale or demerger and included work relating to the preparation and audit of Historic Financial Information required to maintain transaction readiness. The remaining non-audit fees primarily related to audit-related assurance services, including the review of the FY2026 half-year results and limited assurance over Smiths Scope 1-3 greenhouse gas emissions and energy metrics.

During the year, the Committee reviewed KPMG's independence confirmations and approved all permissible non-audit engagements in accordance with policy. Smiths policy limits non-audit fees to no more than 20% of the average audit fees over the preceding three years, except in exceptional circumstances. The Committee was satisfied that the level of non-audit fees reflected the one-off divestment-related assurance work undertaken during the year and that KPMG's objectivity and independence were not compromised.

Effectiveness of the external audit

The Committee is responsible for assessing the effectiveness of the external audit and the performance of the external auditor. In reaching its conclusion, the Committee considered the quality and effectiveness of KPMG's audit approach, the robustness of audit planning and execution, the handling of significant accounting and

audit judgements, and the expertise, independence and professional scepticism demonstrated by the audit team. The Committee also considered the quality of reporting and insights provided to the Committee, feedback from management and the extent to which observations from previous effectiveness reviews had been addressed. Based on its assessment and regular engagement with KPMG throughout the year, the Committee concluded that the external audit remained effective and that KPMG continued to provide an independent and objective audit. Accordingly, the Committee recommended to the Board that KPMG be reappointed as the Company's auditor at the 2026 AGM.

Risk management and internal control

The Board is responsible for maintaining effective risk management and internal control systems, which are designed to identify, assess, manage and monitor risks to the achievement of Smiths strategic objectives. The Executive Committee is responsible for implementing and operating these systems across the business. Further information on Smiths risk management and internal control framework is provided on pages 33 to 44.

Effectiveness of Smiths risk management and internal controls

On behalf of the Board, the Committee monitored and reviewed the effectiveness of the risk management and internal control systems throughout FY2026. This was supported by reports from management, risk owners and the Internal Audit function.

The Committee received updates on Smiths principal and emerging risks, together with deep-dive reviews from management and risk owners on the effectiveness of associated controls. This included a business-by-business review of risk, with divisions periodically presenting their risk processes and risk registers to the Committee. During FY2026, the Committee received risk updates from John Crane and Flex-Tek, reviewed Legal, Ethics & Compliance risks on a six-monthly basis and continued to oversee cyber risk through its annual programme of work.



Managing our risks

Read more about risk management and our principal risks

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AUDIT & RISK COMMITTEE REPORT CONTINUED

In carrying out its review, the Committee challenged management on mitigating actions, residual risk exposure and emerging risk trends. It also monitored progress against the internal controls programme, including the refinement of financial controls, remediation of identified control deficiencies and the strengthening of governance and assurance arrangements across the business.

This work supported the continued enhancement of the control environment, the refresh of Smiths principal risk register and its readiness for the revised UK Corporate Governance Code requirements. Following its review, the Committee was satisfied that risk management activities remained aligned with Smiths strategic objectives, risk appetite and operating model, and concluded that Smiths risk management and internal control systems remained effective, with no material failings or weaknesses identified during the year.

Principal risks update

During FY2026, the Committee completed a year-end reassessment of Smiths principal risks, reflecting Smiths repositioning around John Crane and Flex-Tek following the strategic actions to divest Smiths Interconnect and Smiths Detection. The review, which included consideration of the John Crane and Flex-Tek divisional risk registers, confirmed that the existing principal risk categories remain appropriate and that no new principal risks are proposed.

The reassessment concluded that Smiths risk profile has evolved as a focused, premium industrial engineering company, with changes to the relative significance and articulation of certain risks rather than the creation of new categories. Updates were made to reflect increased emphasis on geopolitical uncertainty, tariffs, sanctions, trade restrictions, supply continuity, cyber risk, digital capability, customer concentration and the attraction and retention of specialist talent. Strategic transformation remains a principal risk, with its focus evolving towards growth post-transformation and delivery of Smiths strategic priorities.

Following its review, the Committee concluded the principal risks remained appropriate and reflective of Smiths risk profile at the FY2026 year end. Further

information, and the consideration of principal risks within the viability assessment is set out on pages 53 and 54.

Preparation for compliance with Provision 29

The Committee continued to oversee Smiths preparations for Provision 29 of the 2024 UK Corporate Governance Code, ahead of the Board's first material controls declaration in FY2027. This work was progressed alongside the divestments of Smiths Interconnect and Smiths Detection, as the business reshaped its control and assurance framework around a focused, premium industrial engineering company.

Management further developed the material controls framework, focusing on the controls most critical to Smiths principal risks, financial reporting and key operational and compliance activities. The Committee reviewed the approach across John Crane and Flex-Tek, including testing, evidence quality and linkage to divisional risk registers and management certifications.

The FY2026 dry run confirmed that the framework remains appropriate for Smiths revised risk profile and operating model following the separations. It also identified areas to strengthen consistency of execution, evidence standards and assurance over remediation, including actions arising from the Flex-Tek subsidiary balance sheet review.

The Committee is satisfied with the progress made and will continue to oversee testing, refinement and remediation in FY2027, with particular focus on evidencing control operation and aligning assurance activity with Smiths principal risks.

Internal Audit

Internal Audit provides independent assurance on the effectiveness of Smiths governance, risk management and internal control framework. The function operates independently of management activities, with the Head of Internal Audit reporting functionally to the Committee Chair and administratively to the Chief Financial Officer. The Committee-approved Internal

Audit Charter provides unrestricted access to Smiths records, personnel and operations, together with direct access to the Committee and its Chair.

Throughout the year, the Committee received regular updates on delivery of the FY2026 Internal Audit Plan, including significant audit findings, high-priority control enhancement opportunities, management remediation actions and progress against agreed timelines. The Committee also reviewed and approved the FY2027 Internal Audit Plan, including its scope, risk coverage, resources and budget. Internal Audit reviews during the year included assurance over financial controls, risk management processes, cyber security, ethics and compliance activities, operational controls and strategic programmes. Particular attention was given to assurance activities supporting the Flex-Tek division and the material controls readiness work.

The Committee maintains regular engagement with the Director of Internal Audit and monitors the performance of the function through its audit outputs, stakeholder feedback and key performance indicators.

As part of its annual effectiveness review, the Committee considered feedback from Committee members, management, the external auditor and Internal Audit self-assessment activities. The review confirmed that Internal Audit continues to provide effective and independent assurance over Smiths key risks and controls. Feedback highlighted the quality of the team, the strength of stakeholder engagement and the value of its insight and assurance activities.

The review also identified opportunities to further enhance the function, including increasing the use of technology, data analytics and AI, continuing to align audit activity with Smiths evolving risk profile, and adapting assurance coverage to support business transformation and change. The Committee reviewed the resulting action plan and was satisfied these initiatives had been appropriately reflected in Internal Audit's future plans.

**Going Concern and Viability Statement**

[Read more](#)
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AUDIT & RISK COMMITTEE REPORT CONTINUED

Accordingly, the Committee concluded that Internal Audit continued to provide high-quality independent assurance and valuable insight into emerging risks, control enhancements and governance improvements across Smiths and remained effective throughout FY2026.

Ethics and compliance

The Committee maintained oversight of Smiths Ethics & Compliance programme throughout the year, receiving updates on Speak Out reporting and investigations, trade compliance, bribery, corruption and fraud prevention, data management and protection and modern slavery matters.

The Committee reviewed Speak Out trends and noted continued employee engagement with the programme, with reporting levels remaining above external benchmarks, a reduction in anonymous reporting and increased substantiation rates, which it views as positive. It also monitored trade compliance developments, including tariffs, sanctions and oversight of agents' and distributors' commissions, and reviewed progress in strengthening Smiths fraud prevention framework in light of the Economic Crime and Corporate Transparency Act (ECCTA) which came into force in September 2025.

During the year, the Committee approved updates to the Smiths Code of Business Ethics, including the introduction of a dedicated anti-fraud section, and to the Modern Slavery Statement, reflecting enhancements to Smiths approach to responsible sourcing and supply chain due diligence.

The Committee also received regular updates on matters arising from the Flex-Tek review, including the outcomes from cultural review work undertaken by Ethics & Compliance. Based on the assurance received during the year, the Committee concluded that Smiths arrangements for promoting ethical behaviour and for raising, investigating and addressing concerns remained effective.

Further information on Smiths approach to ethics and compliance is provided on page 28.

Assessment of internal control and risk management arrangements

The Committee was satisfied that Smiths financial reporting and control processes, culture, ethical standards and stakeholder relationships remained effective, and that its risk management arrangements, internal control framework and three lines of defence model remained appropriate and adequate.

**Behaving ethically and legally**[Read more](#)**Page 28**

SEPARATION OVERSIGHT COMMITTEE REPORT

Chairman's statement

I am pleased to present the Separation Oversight Committee's Report. The Committee was established by the Board in January 2025 to oversee the strategic actions announced at that time, comprising the launch of a sale process for Smiths Interconnect and the separation of Smiths Detection, either by way of a UK demerger or sale.

During the year, the Committee focused on the principal judgements needed to support the successful delivery of both transactions. It provided disciplined oversight and challenge across the strategic, financial and execution considerations, helping to ensure that the Board's decisions were informed by a clear assessment of value, deliverability, transaction certainty and the wider market environment.

For Smiths Interconnect, the Committee reviewed the divestment process, transaction structure, valuation, market interest and principal execution risks. Following detailed review and challenge, it supported the sale of the business to Molex Electronic Technologies Holdings, LLC, a Koch company, which was announced in October 2025 for an enterprise value of £1.3bn. The Committee continued to oversee execution planning through to completion, which was announced on 31 March 2026.

For Smiths Detection, the Committee oversaw the dual-track process, maintaining optionality between a sale and a potential demerger until a preferred route was identified. It assessed the relative merits of both options, including shareholder feedback, value creation opportunities, execution certainty, market conditions and timing. Following a comprehensive assessment of proposals and transaction terms, the Committee concluded that the proposed sale of the business to funds advised by CVC Capital Partners represented the most attractive outcome for shareholders and recommended the transaction to the Board. The agreement was announced in December 2025 for an enterprise value of £2.0bn. The Committee then maintained oversight of the key completion workstreams through to completion on 30 June 2026.

Across both transactions, the Committee considered the interests of employees, customers, suppliers and other key stakeholders, with a focus on maintaining continuity and confidence through divestment and completion. It challenged management's assumptions, reviewed key risks and financial implications, and monitored critical milestones before making recommendations to the Board.

The successful completion of both divestments delivered a combined enterprise value of £3.3bn and contributed to the repositioning of Smiths as a focused, premium industrial engineering company. The Committee's work also supported the Board's decisions on transaction execution, capital allocation and the return of value to shareholders.

On behalf of the Committee, I would like to thank my fellow Committee members, management and advisers for their contribution.

Steve Williams

Chairman of the Separation Oversight Committee



Steve Williams

Chairman of the Separation Oversight Committee



Committee membership*

Steve Williams

Alister Cowan

Richard Howes

Simon Pryce

Top Committee activities this year

- Oversight of the Smiths Interconnect divestment process through to announcement and completion
- Assessment of the Smiths Detection dual-track process and preferred separation route
- Monitoring of separation readiness, completion planning and capital allocation considerations across both transactions



Read more

Board activity and key decisions

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REMUNERATION & PEOPLE COMMITTEE REPORT

Chair's statement

I am pleased to present the Remuneration Report for the year to 31 July 2026, my first since becoming Chair of the Committee. I am delighted that our Directors' Remuneration Report was supported by 96.27% of shareholders at the November 2025 AGM.

A key role of the Committee is to provide oversight of the implementation of the Smiths people strategy. As such, at each meeting, the Committee reviews elements of the strategy to ensure it supports our business objectives and desired culture. This includes particular focus on motivation, retention and engagement within the leadership team and wider workforce, considering the extent of business change delivered during the financial year.

Business context

At the beginning of 2025, Smiths announced several material strategic actions to unlock significant value and enhance returns to shareholders, including the separation of both Smiths Interconnect and Smiths Detection. The Executive Directors and their senior leadership team successfully delivered both planned divestments during FY2026, ahead of the intended schedule and for attractive enterprise valuations. This has been accompanied by investment in organic growth and value-accretive acquisitions.

Given the material nature of the strategic activity, and mindful of the extensive leadership changes we have experienced over the past three years, the Board considers it imperative to retain and incentivise our leadership team, that has delivered this value creation, to successfully execute our plans, aligning them to the delivery of further stakeholder value and providing stability of leadership through the critical next phase of Smiths journey.

AIP and LTIP outturns for FY2026

The Committee considered outcomes under the FY2026 AIP and the FY2024 LTIP awards in the context of the significant value unlocked with the sale of Smiths Interconnect and Smiths Detection, resilient revenue growth in Smiths and continued operating profit margin expansion towards our medium-term targets. Based on performance during the year, a bonus of 59.9% of maximum opportunity for FY2026 was awarded, representing an achievement between target and maximum against the financial and non-financial metrics. One third of the bonus earned will be deferred into shares for the Executive Directors. The FY2024 LTIP award vested at 95.7% of maximum, reflecting performance over a three-year period aligned to the sustainable growth of the business and value created during that time.

In determining the final outcomes, the Committee considered the proceeds of sale from the divestments, inorganic revenue growth from acquisitions and the

impact on FY2026 AIP and FY2024 LTIP outturns. The Committee agreed that the overall impact on remuneration was fair and appropriate, and no adjustments were required. No discretion was applied to adjust the AIP or LTIP outturns.

Implementation for FY2027

Following the separation of Smiths Interconnect and Smiths Detection during FY2026, the Committee reviewed the CEO's and CFO's base salaries and total compensation positioning to ensure that we continue to incentivise exceptional shareholder value creation and retain our executive team to deliver our ambitious growth strategy. The Committee is also cognisant of the evolving competitive landscape for UK listed companies, particularly in light of the global talent market we operate in, with one of our business divisions located in the US, and over 60% of our revenues sourced from the US market.

Base salary increases

When Roland Carter took over as CEO in March 2024, bringing over 30 years of experience to the role, his base salary was positioned just below the outgoing CEO. His base salary has been increased in line with the rate of increase for the wider workforce since his appointment. FY2026 has been another year of strong performance for the Company, as detailed in the financial results. Considering this holistically and recognising Roland's strong performance in the role, as well as positioning against relevant external benchmarks, the Committee determined a salary increase of 6.5% to be appropriate. This increase positions his base salary just above median compared with FTSE 100 companies of a similar market capitalisation and high internationality (excluding financial services companies). The Committee was also mindful of the impact of a salary increase on total compensation. This increase maintains total target compensation between median and upper quartile against this market capitalisation peer group, which the Committee considers appropriate, reflecting the Group's ambitious growth strategy. We also carefully



Alister Cowan
Chair of the Remuneration & People Committee



Committee membership

Pam Cheng

Alister Cowan

Dame Ann Dowling

Steve Williams

Top Committee activities this year

- Considered remuneration matters for Executive Directors and the wider workforce, aligned with the company's strategic update during the year
- Advised on incentive and retention strategy for key leadership through significant business change
- Approved FY2027 salary increases for the Board & Executive Committee considering performance in role, external market data and wider workforce increases
- Considered the evolution of the Remuneration Policy ahead of the 2027 policy review cycle

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

considered the increase against the backdrop of a wider UK workforce average increase of 3.5% and are comfortable that it is appropriate in light of the performance delivered, the size and complexity of the Company, our ambitious growth targets and the need to maintain appropriate market positioning for this role.

The CFO's base salary will be increased by 3.5% in line with the wider UK workforce.

FY2027 AIP

In line with the Policy, the maximum AIP opportunity for the CEO and CFO is 250% and 220% of salary, respectively. Changes are proposed to the FY2027 AIP measures to realign with business priorities. The weightings of the revenue and operating profit measures have each been increased by 10% compared with FY2026 and operating profit margin has been removed as a measure. The overall weighting of financial and non-financial measures will remain at 80%/20%. The financial measures comprise revenue (30%), operating profit (30%), and cash conversion (20%). The non-financial measures continue to align to business priorities and include a robust energy reduction metric.

FY2027 LTIP

The Board operates a fixed number of shares approach to granting LTIP awards which has been in place through two Policy cycles and has delivered strong alignment with the shareholder experience. The CEO will be granted an FY2027 LTIP award over 190,000 shares (in line with FY2025 and FY2026 LTIP awards).

Following his appointment as CFO in February 2025, Julian Fagge was granted an FY2026 award over 102,500 shares, which was at a lower level than his predecessor (110,000 shares). The Committee has reviewed Julian's FY2027 LTIP award level in the context of his strong performance in role and the exceptional performance delivered by the business in FY2026. The Committee has determined that it is appropriate to increase Julian's FY2027 LTIP award to

110,000 shares, aligning his award level with his predecessor. The FY2027 LTIP award values for the CEO and CFO are within the Policy headroom limit of 500% of salary.

No changes are proposed to the FY2027 LTIP award measures, which comprise EPS (40%), relative TSR (20%), revenue (20%) and free cash-flow (20%).

Chairman and Non-executive Director fees

During the year, the Board and Committee reviewed the fees payable to the Non-executive Directors and Chairman, taking account of the scope, responsibilities and global complexity of the roles, the growth ambitions of the business, and evolving market practice where there is an increasing focus on ensuring that fees fairly reflect time commitments associated with Non-executive Director roles and enable Boards to attract high calibre talent with the required skillsets. Reflecting the increasing demands on Non-executive Directors as Smiths continues to deliver its strategic agenda, the Chairman and Executive Directors approved an increase in the Non-executive Director base fee from £83,789 to £110,000 per annum, effective from 1 July 2026. Additional fees for Committee Chairs and the Senior Independent Director increased from £20,000 to £25,000, representing the first increase in ten years. At the same time, the Separation Oversight Committee was disbanded and the associated fees discontinued, simplifying the overall fee structure.

Following its review, the Committee approved an increase in the Chairman's fee from £497,845 to £530,000 with effect from 1 October 2026, reflecting the strategic input, responsibilities and demands of the role. All fee changes were informed by market benchmarking, investor guidance and the Investment Association's Principles of Remuneration.

Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 57 to 59. The CEO and Chief People, Sustainability & Excellence Officer usually attend Committee meetings. Other members of senior management are invited to attend as necessary. The Director of Governance acts as secretary to the Committee.

Committee performance review

In FY2026, the performance of the Committee was considered as part of the wider Board review process described on page 65. Overall, it was confirmed that the Committee continues to operate effectively.

Looking forward

I hope you find this report a clear explanation of the Committee's considerations, decisions and remuneration outcomes for FY2026. During the course of FY2027, the Committee will be reviewing the Remuneration Policy, aligned to our normal three-year cycle. Any amendments we propose to the current policy will be to ensure our remuneration framework remains fit for purpose, aligned to our growth strategy and continues to incentivise the senior leadership team to deliver sustainable value creation. We look forward to engaging with institutional shareholders and proxy voting agencies to discuss any changes that we may propose to our Remuneration Policy. I trust that we will have your support for the FY2026 Directors' Remuneration Report when voting at the AGM.

Alister Cowan

Chair of the Remuneration & People Committee



Read more
Implementation of
Remuneration Policy
in FY2026
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Statement of
implementation of
Remuneration Policy
in FY2027
Page 80

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Implementation of Remuneration Policy in FY2026

Base salary

Roland Carter received:

£996,450

Julian Fagge received:

£643,250

Pension and benefits

- Pension contributions of 12% of base salary for Roland Carter and Julian Fagge, in line with the rate available to the wider UK workforce.
- Benefits included healthcare, insurances and car benefit.

Annual Incentive Plan (AIP)

Total bonus payout (% of maximum):

Roland Carter:

59.9%

Julian Fagge:

59.9%

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Outturn (% vesting)	
Revenue (20%)	£2,926m		£2,950m	£3,141m	6.6%
Operating profit (20%)	£513m		£530m	£570m	9.0%
Headline operating cash conversion (20%)					
H1 (10%)	80%		83%	95%	4.0%
FY (10%)	90%		96%	100%	6.0%
Operating profit margin (20%)					
H1 (10%)	17.0%		17.2%	17.4%	6.3%
FY (10%)	17.5%		18.1%	18.1%	10.0%
Strategic business measure (20%)	n/a		18.0%	n/a	18.0%

Long-Term Incentive Plan (LTIP)

Total vesting (% of maximum):

Roland Carter:

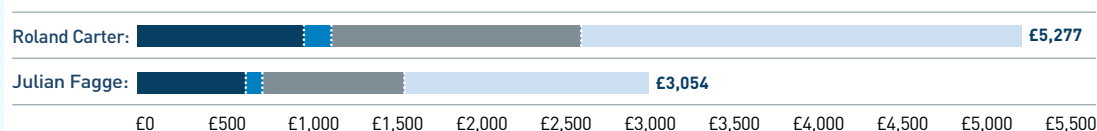
95.7%

Julian Fagge:

95.7%

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Outturn (% vesting)
Revenue growth (30%)	3.5%	6.3%	6.5%	28.8%
Headline EPS growth after tax (20%)	6.0%	10.0%	11.0%	16.9%
Free cash-flow (20%)	45%	56.0%	55%	20.0%
Average ROCE (15%)	14.0%	17.7%	17.0%	15.0%
Reduction in GHG emissions (15%)	15.0%	28.0%	20%	15.0%

Single figure (£000)



(000)	Roland Carter	Julian Fagge
● Salary	£996	£643
● Pension and benefits	£162	£103
● Annual bonus	£1,492	£848
● Long-term incentives	£2,627	£1,460

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Statement of implementation of Remuneration Policy in FY2027

Base salary

Roland Carter:	Julian Fagge:
£1,067,500	£669,600
6.5% increase	3.5% increase
UK wider workforce increase of 3.5%.	

Pension Benefits

Roland Carter:	
12%	Broader benefits package consists of healthcare, insurances and car benefit
of base salary	
Julian Fagge:	
12%	Broader benefits package consists of healthcare, insurances and car benefit
of base salary	

Annual bonus (maximum opportunity)

Roland Carter:	Julian Fagge:
250%	220%
of base salary	of base salary

Performance measure	Weighting
Revenue	30%
Operating profit	30%
Headline operating cash conversion	20%
Strategic business measure	20%

- 33% of annual bonus deferred into shares for three years
- Strategic business measure includes energy reduction
- Specific targets are considered to be commercially sensitive and will be disclosed retrospectively

Long-term incentive (LTIP)

Roland Carter:	Julian Fagge:
190,000	110,000
shares	shares

Performance measure	Weighting	Threshold (25% vesting)	Maximum (full vesting)
Revenue growth	20%	4%	8%
Relative TSR	20%	50%	75%
Headline EPS growth after tax	40%	7%	12%
Average free cash-flow	20%	45%	60%

- Two-year post-vesting holding period applies

Performance measures and link to strategy

Performance measure	Link to strategy	AIP	LTIP
Revenue/revenue growth	A I C	✓	✓
Operating profit	A E C	✓	
Headline EPS growth after tax	A I C		✓
Headline operating cash conversion	E	✓	
Free cash-flow	E		✓
Scorecard of strategic business measures including energy reduction	I E	✓	
Relative total shareholder return	A I E C		✓

Key

A Accelerate **I** Innovate **E** Execute **C** Compound

Shareholding requirements

Executive Directors should build a minimum shareholding equivalent to the annual fixed number of shares awarded under the LTIP within five years and are required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Consideration of wider workforce

The Committee considers all stakeholder groups when setting executive pay, including our people. The Committee is briefed on pay arrangements across the business and receives reports on people priorities within each of the businesses. In addition, a summary of remuneration-related issues raised by employees through the employee engagement survey is presented to the Committee. Our overarching reward philosophy applies to all employees; it is based on fairness and consistency, applying principles of equity and transparency in pay structures. Whilst considering market competitiveness of base remuneration, the principles of pay for performance cascade to the wider workforce, linking reward outcomes to both financial and non-financial performance measures. Details of workforce engagement by the Non-executive Directors over the year can be found on page 59. The overall responsibility for workforce engagement sits with the Chair of the Committee.

Single figure of annual remuneration (audited)

Executive Directors

	Salary		Benefits		Payments in lieu of pension contribution		Total fixed		Annual bonus		Long-term incentives		Total performance related		Total	
	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000
Roland Carter	996	964	42	37	120	116	1,158	1,117	1,492	1,893	2,627	1,422	4,119	3,315	5,277	4,432
Julian Fagge	643	313	26	12	77	31	746	356	848	481	1,460	1,271	2,308	1,752	3,054	2,108

Salary

Roland Carter and Julian Fagge were in their respective roles throughout FY2026 and the figures in the table reflect the remuneration in respect of the full fiscal year. Julian Fagge was appointed to the Board as CFO on 1 February 2025 and therefore the values in the single figure table above in respect of FY2025 represents the remuneration paid from 1 February 2025. Salary increases approved in FY2025 were effective from 1 October 2025.

Benefits

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance and car related benefits.

Pension

Executives may choose either to participate in the company's defined contribution pension plan or to receive a pension allowance in lieu thereof. Roland Carter and Julian Fagge received an allowance in lieu of pension contribution equivalent to 12% of salary. This is aligned to the rate available to the wider UK workforce.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

FY2026 annual bonus outcome

The maximum annual bonus opportunity for FY2026 was 250% of salary for Roland Carter. The maximum bonus opportunity for Julian Fagge was 220% of salary. For FY2026, financial metrics made up 80% of the annual bonus, with the final 20% based on performance against strategic business objectives, including energy reduction. The table (below) summarises the financial targets and the company's actual performance (restated at budget exchange rates) against those for the FY2026 annual bonus.

Measure	Performance targets, actual performance and outturn					
	Weighting	Threshold 25% payout	Target 50% payout	Maximum 100% payout	Actual	Outturn
Revenue	20%	2,926m	2,998m	3,141m	2,950m	6.6%
Operating profit	20%	513m	535m	570m	530m	9.0%
Operating profit margin						
H1	10%	17.0%	17.1%	17.4%	17.2%	6.3%
FY	10%	17.5%	17.8%	18.1%	18.1%	10.0%
Headline operating cash conversion						
H1	10%	80%	85%	95%	83%	4.0%
FY	10%	90%	95%	100%	96%	6.0%
Total financial	80%					41.9%
Strategic objectives	20%					18.0%
Total	100%					59.9%

The strategic objectives for the Executive Directors are based on achievements against energy reduction targets, innovation priorities and the strategic separation programme of Smiths Interconnect and Smiths Detection. The Group delivered volume adjusted energy reduction of 2.8% in FY2026 against a threshold to maximum bonus target range of 1% to 3%. The Group delivered innovation of 5.9% in FY2026, within the threshold-to maximum bonus target range of 5.4% to 6.3%. This was primarily the development and commercialisation of new products across all divisions. The Smiths Interconnect and Smiths Detection transactions were completed in March 2026 and June 2026, respectively, at a combined enterprise value of £3.3bn, ahead of expectations in both timing and value realised.

The Committee determined a performance achievement at 90% for the strategic objectives.

Overall FY2026 annual bonus outturn

The following table sets out the FY2026 bonus outturn for Executive Directors:

	Maximum opportunity (percentage of salary)	Outturn (percentage of maximum)
Roland Carter	250%	59.9%
Julian Fagge	220%	59.9%

The Committee considered the overall outturn carefully in the context of the company and individual performance and determined that the amounts were a fair reflection of performance in the year. One third of the annual bonus will be deferred into Smiths shares for three years.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

FY2024 long-term incentive plan outcome

Roland Carter and Julian Fagge received an award under the FY2024 LTIP, subject to the following performance conditions:

Measure	Weighting	Performance period	Threshold 25%	Maximum 100%	Actual	Outturn (% of vesting)
Average revenue growth	30%	1 August 2023 to 31 July 2026	3.5%	6.5%	6.3%	28.8%
Average annual Group headline EPS growth after tax	20%	1 August 2023 to 31 July 2026	6.0%	11.0%	10.0%	16.9%
Average ROCE	15%	1 August 2023 to 31 July 2026	14.0%	17.0%	17.7%	15.0%
Free cash-flow	20%	1 August 2023 to 31 July 2026	45%	55%	56.0%	20.0%
Reduction in GHG emissions (from continuing operations)	15%	1 August 2023 to 31 July 2026	15%	20%	28.0%	15.0%
Total vesting	100%					95.7%

The Group headline EPS growth after tax performance has been calculated to exclude the impact of share buybacks funded from disposal proceeds in order to ensure the targets were not materially easier to achieve than when originally set. The value in the single figure table has been calculated using an estimated share price, based on the average price over the last three months of the financial year (£25.40). The share price appreciation attributable to the FY2024 LTIP for Roland Carter was 59.5% (£609,662) and for Julian Fagge was 59.5% (£544,904). An additional holding period of two years will apply to the shares vesting.

The LTIP figures for FY2025 have been updated in the single figure table on page 81 to reflect the share price at the vesting date £24.05. The share price appreciation attributable to the LTIP for Roland Carter was (42.6%) (£391,670) and for Julian Fagge was (42.6%) (£350,067). Total performance related pay and total pay have also been restated accordingly.

Scheme interests awarded in FY2026 (audited)

	Scheme	Form of award	Date of grant	Number of shares awarded	Award price	Face value (£000)	% vesting at threshold performance	Performance period end date
Roland Carter	LTIP	Conditional shares	14/10/25	190,000	£24.05	4,570	25%	31 July 2028
Roland Carter	Deferred bonus	Conditional shares	01/10/25	27,316	£23.29	636	N/A	N/A
Julian Fagge	LTIP	Conditional shares	14/10/25	102,500	£24.05	2,465	25%	31 July 2028
Julian Fagge	Deferred bonus	Conditional shares	01/10/25	6,933	£23.29	161	N/A	N/A

The performance measures for the FY2026 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
Revenue growth (average annual)	20%	4%	8%
Relative TSR	20%	50%	75%
Headline EPS growth after tax (average annual)	40%	7%	12%
Free cash-flow (average annual)	20%	45%	60%
Total	100%		

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Directors' share options and long-term share plans (audited)

Director and Plan	Options and awards held on 31 July 2026	Options and awards held on 31 July 2025	Exercise price	Grant date	Vesting date+	Expiry date++	Date vested	Number	Exercise price	Market price at date of grant	Market price at date of vesting
Roland Carter											
LTIP	0	67,200	N/A	02/11/22	08/10/25		14/10/25	62,367	N/A		2,405p
	67,200	67,200	N/A	01/11/23	15/10/26						
	40,900	40,900	N/A	08/04/24	15/10/26						
	190,000	190,000	N/A	14/11/24	15/10/27						
	190,000	0	N/A	14/10/25	15/10/28						
Enhanced LTIP	26,877	26,877	N/A	17/04/25	15/10/27						
Deferred bonus award	7,668	7,668	N/A	01/10/24	01/10/27						
	27,316	0	N/A	01/10/25	01/10/28						
SAYE		725	1,278p	16/05/24	01/08/27						
		647	1,421p	20/05/25	01/08/28						
Julian Fagge											
LTIP	0	60,062	N/A	02/11/22	08/10/25		14/10/25	55,742	N/A		2,405p
	60,062	60,062	N/A	01/11/23	15/10/26						
	60,062	60,062	N/A	01/11/24	15/10/27						
	21,219	21,219	N/A	08/04/25	15/10/27						
	102,500	0	N/A	14/10/25	15/10/28						
Deferred bonus award	6,933	0	N/A	01/10/25	01/10/28						
Enhanced LTIP	17,353	17,353	N/A	17/04/25	15/10/27						
SAYE	1,346	1,346	1,337p	16/05/23	01/08/26	01/02/27	01/08/26	1,346	1,337p	1,671p	2,644p
	888	0	2,048p	19/05/26	01/08/29	01/02/30					

Notes

- The high and low market prices of the ordinary shares during the period 1 August 2025 to 31 July 2026 were 2,118p and 2,746p respectively. The mid-market closing price on 31 July 2025 was 2,351p and on 31 July 2026 was 2,644p.
- The five-day average closing price of a Smiths Group plc share on the dates of the LTIP awards made to Directors in the FY2026 financial year was 2,522p on 3 November 2025.
- The SAYE options granted to and held by Executive Directors at 31 July 2026 were granted at an exercise price below the market price of a Smiths Group plc share. The market price of a Smiths Group plc share was 1,671p at 16 May 2023, 1,598p at 16 May 2025 and 2,560p at 19 May 2026. Shares are granted in May but the savings period commences in August.
- None of the options or awards listed above was subject to any payment on grant.
- No options or awards have been granted to or exercised by Directors or have lapsed during the period 1 August to 21 September 2026.
- At 31 July 2026, the trustee of the Employee Benefit Trust held 1,493,880 shares. The market value of the shares held by the trustee on 31 July 2026 was £39,495,199 and all dividends were waived in the year in respect of the shares held by the trustee.
- Special provisions permit early exercise of options and vesting of awards in the event of retirement, redundancy or death.



Key

LTIP

The Smiths Group Long-Term Incentive Plan 2015 & 2024.

SAYE

The Smiths Group Sharesave Scheme.

- + The vesting dates shown in respect of awards made under the LTIP are subject to the relevant performance test(s) being passed.

- ++ The expiry dates shown apply in normal circumstances.



Performance tests

- LTIP awards granted between November 2022 and April 2025 have the following performance tests – 20% headline EPS growth; 15% ROCE; 20% free cash-flow; 30% revenue growth; 15% reduction in GHG emissions
- LTIP awards granted from October 2025 have the following performance tests – 20% revenue growth; 20% relative TSR; 40% headline EPS growth; 20% free cash-flow
- Enhanced LTIP awards based on relative TSR compared to the FTSE 100 (excluding financial services and investment trusts) over the three financial years beginning FY2025. Threshold vesting (25% of the award) for performance at the 60th percentile level, increasing on a straight-line basis to maximum vesting at the 90th percentile
- No performance criteria for the deferred bonus awards or SAYE

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Payments to past Directors (audited)

Clare Scherrer's share awards under the Company's LTIP were preserved in accordance with the good leaver provisions of the LTIP, subject to a time pro-rating and performance adjustment and normal vesting dates. In respect of the FY2024 LTIP, 59,676 shares will vest at 95.7% of the pro-rated maximum which is 57,109 shares with a value of £1,450,569.

Payments for loss of office (audited)

There were no payments for loss of office in FY2026.

Share ownership requirement for Executive Directors

Executive Directors are required to build a minimum shareholding equivalent to the annual fixed number of shares awarded under the LTIP within five years. Executive Directors are required to retain at least 50% of any net vested share awards (after sales to meet tax liabilities) until those guidelines are achieved. Shares under deferred bonus awards and LTIP awards which have vested but are subject to a further holding period (net of assumed income tax) count towards the requirement. Awards that are still subject to performance conditions do not count towards the requirement.

Executive Directors will be required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment, in line with best practice guidance. To help enforce this requirement, a hold is put on vested shares held in broker accounts with Smiths Group's share plan administrator. This policy applies to Clare Scherrer who retired from Smiths during FY2025. Ms Scherrer is required to hold 33,116 shares in the Company until 30 April 2027.

Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital. As at 31 July 2026 the headroom available under this limit was 8.38%.

Executive Directors' shareholdings (audited)

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2026.

Director	Shareholding requirement	Shares owned outright	Shares subject to performance	Vested shares in holding period	Shares arising from bonus deferral	Save As You Earn (SAYE)	Current shareholding (% of requirement) ¹	Shareholding requirement met
Roland Carter	190,000	156,608	514,977	62,251	34,984	1,372	125%	Y
Julian Fagge	110,000	7,857	261,196	55,639	6,933	888	61%	N

Julian Fagge acquired 1,346 shares on 1 August 2026 following exercise of the Save As You Earn shares awarded on 16 May 2023. There have been no other changes to the Executive Directors' shareholdings between 1 August 2026 and 21 September 2026.

**Footnotes**

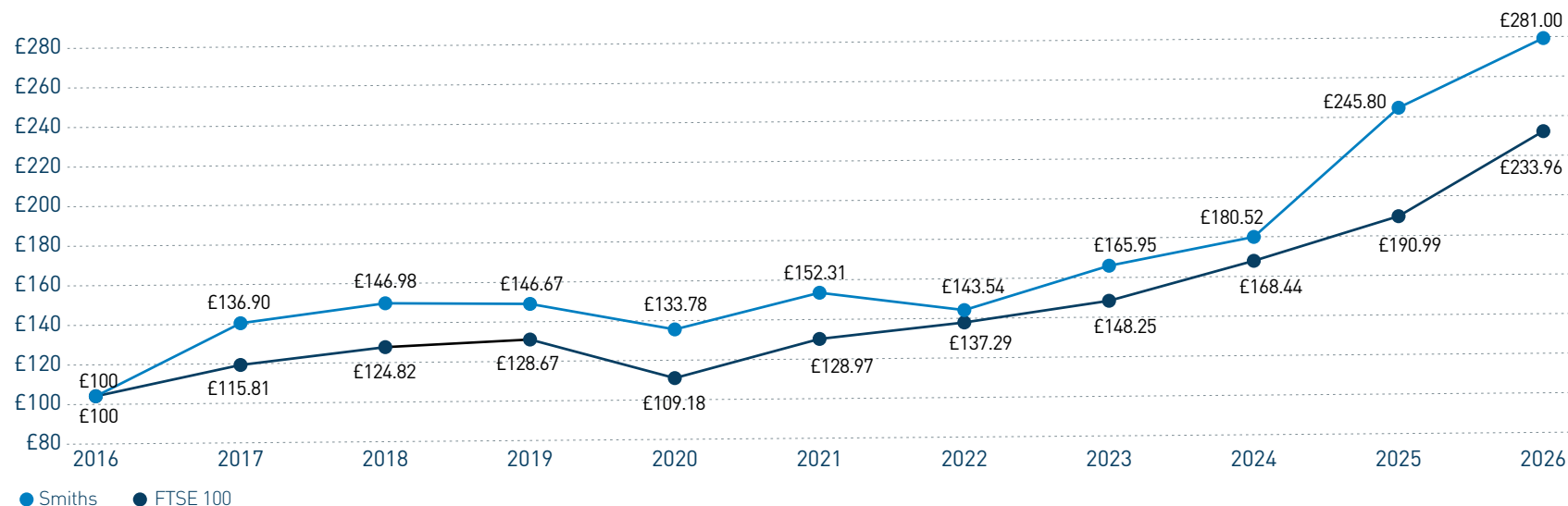
- ¹ Shares owned outright (including vested shares in holding period), and the net of income tax value of shares arising from bonus deferral, are taken into account for the shareholding requirement. Executive Directors have five years from the date of appointment to meet the required personal shareholding. Roland Carter has met the requirement. Julian Fagge has until 1 February 2030 to meet a shareholding requirement of 102,500 and until 1 October 2031 to meet the requirement of 110,000 shares.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

TSR performance

The following graph shows the company's total shareholder return (TSR) performance over the past ten years compared to the FTSE 100 Index. The FTSE 100 Index, of which the company has been a member throughout the period, has been selected to reflect the TSR performance of other leading UK-listed companies. The values of hypothetical £100 investments in the FTSE 100 Index and Smiths Group plc shares at 31 July 2026 were £233.96 and £281.00 respectively.

Total Shareholder Return



Chief Executive's remuneration for the last ten years

	FY2026 R Carter	FY2025 R Carter	FY2024 R Carter	FY2024 P Keel	FY2023 P Keel	FY2022 P Keel	FY2021 P Keel	FY2021 A Reynolds Smith	FY2020 A Reynolds Smith	FY2019 A Reynolds Smith	FY2018 A Reynolds Smith	FY2017 A Reynolds Smith
Total remuneration £000	5,277	4,432	1,656	814	4,285	1,832	450	2,753	2,196	4,130	3,251	2,320
Annual bonus outcome (% max)	59.9%	85.4%	60.5%	0%	70%	39%	76%	70%	17%	41%	42%	96%
LTIP outcome (% max)	95.7%	88.0%	76.7%	0%	76%	n/a	n/a	19%	31%	75%	32%	n/a

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Chief Executive pay ratios

These ratios set out the comparison between the Chief Executive's remuneration and that for employees in the UK workforce.

Total remuneration

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2026	Option B	122:1	87:1	57:1
FY2025	Option B	108:1	82:1	53:1
FY2024	Option B	69:1	46:1	30:1
FY2023	Option B	128:1	92:1	62:1
FY2022	Option B	58:1	39:1	26:1

Salary

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2026	Option B	25:1	18:1	13:1
FY2025	Option B	26:1	18:1	12:1
FY2024	Option B	27:1	19:1	13:1
FY2023	Option B	27:1	19:1	13:1
FY2022	Option B	28:1	20:1	13:1

	Salary (£ 000)	Total remuneration (£ 000)
Chief Executive	996	5,277
25th percentile employee	39	43
Median employee	56	61
75th percentile employee	79	93

The pay data for employees in the UK workforce has been calculated using Option B, based on the data used for gender pay reporting, due to the availability of data at the time the Annual Report was published. The gender pay reporting basis comprises salary and benefits as at 15 April 2026 and incentive payments payable in respect of FY2026. The Committee considers that this provides an outcome that is representative of the employees at these pay levels. It is assumed that the value of employee benefits is 7.0% of base salary as an average across the workforce.

The workforce remuneration figures are those paid to UK employees whose pay is at the 25th, median and 75th percentile of pay for the Group's UK employees. Figures are shown on both the prescribed basis using total pay and also salary only, which provides a useful ongoing comparison as it is a less volatile basis. The CEO pay ratio for salary has remained relatively consistent for several years now. The ratio has increased for total remuneration as the long-term incentive plan has vested near to maximum this year.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e., dividends and share buybacks) and total employee pay expenditure for FY2026 and FY2025 and the percentage change. The distributions are higher for FY2026 owing to a higher number of share buybacks than FY2025.

	FY2026 £m	FY2025 £m	Change
Shareholder distributions	988	455	117%
Employee costs	969	1,027	-5.6%

Executive Directors' service contracts

The Company's policy is that Executive Directors are normally employed on terms which include a one-year rolling period of notice from the Company and six months' notice from the individual. The contract includes provision for the payment of a predetermined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Company is entitled to dismiss without compensation). In addition to payment of basic salary, pension allowance and benefits in respect of the unexpired portion of the one-year notice period and for good leavers only, the predetermined sum would include annual bonus and share awards only in respect of the period they have served, payable following the end of the relevant performance period and subject to the normal performance conditions.

Roland Carter is employed under a service contract with the Company dated and effective from 25 March 2024. He became an Executive Director with effect from 25 March 2024. Julian Fagge is employed under a service contract with the Company dated and effective from 1 February 2025. He became an Executive Director with effect from 1 February 2025.

The Company may elect to terminate the contract by making a payment in lieu of notice equal to the Director's base salary and benefits (including pension allowance) in respect of any unserved period of notice. The service contracts contain specific provisions enabling a reduction in any phased payments in lieu of notice, in the event that the Director finds alternative employment during the notice period. The service contracts are available for viewing at the Company's Registered Office.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Malus and clawback provisions

The Remuneration & People Committee has discretion to apply malus and/or clawback to awards granted under the company's Annual Incentive Plan (AIP) and Long-Term Incentive Plan (LTIP). Malus may be applied before awards are paid or vested and clawback may be applied following payment or vesting. The Committee may apply malus and/or clawback in a range of exceptional circumstances including a material misstatement of the Group's financial results, misconduct, material breach of company policies or fiduciary duties, significant failure of risk management, corporate failure, or actions resulting in serious reputational damage to the Group. In determining whether to exercise these powers, the Committee will consider the relevant individual's degree of responsibility, the impact of the event on the company and any remedial actions taken. For the AIP, annual bonus payments are subject to clawback and deferred share awards are subject to malus for a period of three years from the end of the relevant performance year. LTIP awards are subject to malus throughout the vesting period and to clawback from vesting until the fifth anniversary of grant. The Committee considers these periods to be appropriate as they align the operation of malus and clawback with the performance, vesting and holding periods of the Company's incentive arrangements and provide an appropriate timeframe for the identification and assessment of matters that may warrant recovery.

These provisions continue to apply after an individual's cessation of employment where appropriate. Where malus or clawback is applied, the Committee may reduce or cancel unpaid incentive awards, lapse unvested awards, reduce future incentive awards or, where appropriate, require the repayment of cash or shares previously delivered. Any recovery will be proportionate to the circumstances of the case and will not exceed the net value received by the individual. The Committee reviews annually whether any circumstances have arisen that would warrant the operation of malus or clawback and will disclose any material use of these provisions in accordance with the UK Corporate Governance Code. The Committee reviewed the operation of the malus and clawback provisions during FY2026 and concluded that no circumstances arose which required their application.

Non-executive Directors**Share ownership guidance for Non-executive Directors**

Non-executive Directors are encouraged to acquire shares in the company with a value of one times the annual base fee, over a five-year period. The five-year period is from the later of 1 August 2021 or the date of appointment to the Board. In addition, the Non-executive Directors are encouraged to retain a shareholding of one times the annual base fee for at least two years after the Director leaves the Board.

Single figure of annual remuneration (audited)

	Salary/fees		Benefits ¹		Total	
	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000	FY2026 £000	FY2025 £000
Steve Williams ²	495	479	4	–	499	479
Pam Cheng	102	97	–	–	102	97
Alister Cowan ³	138	111	4	–	142	111
Dame Ann Dowling ⁴	110	101	–	3	110	104
Karin Hoeing ⁵	31	101	–	1	31	102
Richard Howes ⁶	128	111	–	2	128	113
Simon Pryce ⁷	108	50	–	2	108	52
Mark Seligman ⁸	37	107	–	1	37	108
Noel Tata	37	101	5	–	42	101

Non-executive Director fees

Non-executive Director fees paid during FY2026 and payable during FY2027 are shown below.

The Chairman and Executive Directors approved an increase in the Non-executive Director base fee from £83,789 to £110,000 per annum, effective from 1 July 2026. The increase reflects the materially greater time commitment required of Non-executive Directors as a result of the evolving complexity of Smiths strategic agenda. Additional fees for Committee Chairs and the Senior Independent Director increased from £20,000 to £25,000, representing the first increase in ten years. At the same time, the Separation Oversight Committee was disbanded and the associated fees discontinued, simplifying the overall fee structure. These changes ensure that fee levels remain competitive and appropriately reflect the time commitment, experience and skills required of the role.

The Committee approved an increase in the Chairman's fee from £497,845 to £530,000 with effect from 1 October 2026, reflecting the strategic input, responsibilities and demands of the role. All fee changes were informed by market benchmarking, investor guidance and the Investment Association's Principles of Remuneration.

	FY2027	FY2026
Fee payable to Chairman of the Board for all responsibilities	£530,000	£497,845
Non-executive Director base fee	£110,000	£83,789
Additional fee payable to the Senior Independent Director	£25,000	£20,000
Additional fee for Committee Chairs	£25,000	£20,000
Additional fee payable to members of the Separation Oversight Committee	n/a	£20,000
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

**Footnotes**

- Benefits for the Chairman and Non-executive Directors may relate to taxable travel-related expenses reimbursed by the company, grossed up for UK income tax and National Insurance (where appropriate). Benefits may also include UK tax return support where applicable.
- Steve Williams' fee is in respect of all responsibilities as Chairman.
- Alister Cowan's fees include the fee for membership of the Separation Oversight Committee and the fee for chairing the Remuneration & People Committee from 19 November 2025.
- Dame Ann Dowling's fees include the additional fees as Senior Independent Director from 19 November 2025 and as Chair of the Innovation, Sustainability and Excellence Committee, until the Committee was retired.
- Karin Hoeing's fees include the fee for chairing the Remuneration & People Committee, pro-rated to retirement date.
- Richard Howes' fees include the fees for chairing the Audit & Risk Committee and his membership of the Separation Oversight Committee.
- Simon Pryce's fees include the fee for membership of the Separation Oversight Committee.
- Mark Seligman's fees include the fees as Senior Independent Director and for his membership of the Separation Oversight Committee pro-rated to retirement date.

REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

Non-executive Directors' shareholdings (audited)

The table below shows the shareholding for each Non-executive Director.

31 July 2026

Steve Williams	34,000
Pam Cheng	6,000
Alister Cowan	18,000
Dame Ann Dowling	5,813
Richard Howes	4,421
Simon Pryce	274

Following a quarterly acquisition of ordinary shares, under a share purchase agreement using a fixed proportion of their after-tax fees received from the company, Simon Pryce and Richard Howes acquired 195 and 67 shares respectively, on 1 August 2026. There have been no further changes between 1 August 2026 and 21 September 2026.

Chairman's and Non-executive Directors' letters of appointment

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. Except where appointed at a General Meeting, Directors stand for election by shareholders at the first AGM following appointment. The Board has resolved that all Directors who are willing to continue in office will stand for re-election by the shareholders each year at the AGM. Either party can terminate the appointment on one month's written notice and no compensation is payable in the event of an appointment being terminated early. The letters of appointment or other applicable agreements are available for viewing at the Company's Registered Office.

Date of appointment

Steve Williams	1 September 2023
Pam Cheng	1 March 2020
Alister Cowan	1 July 2024
Dame Ann Dowling	19 September 2018
Richard Howes	1 September 2022
Simon Pryce	1 February 2025

Statement of shareholder voting

The table below sets out the voting outcome of the advisory resolution for approval of the Directors' Remuneration Report at the 2025 AGM and the approval of the Directors' Remuneration Policy at the 2024 AGM:

Resolution	Votes for	% of votes cast for	Votes against	% of votes cast against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Report	230,973,139	96.27	8,959,508	3.73	239,932,647	87,311
Directors' Remuneration Policy	237,176,139	92.30	19,849,822	7.70	257,025,961	2,196,034

Advisers to the Committee

During the year, the Committee received material assistance and advice from the CEO, the Chief People, Sustainability & Excellence Officer, the Global Reward Director, Deloitte LLP and Freshfields LLP. The Committee's appointed independent remuneration adviser is Deloitte LLP. The Director of Governance is secretary to the Committee. A copy of the approved Directors' Remuneration Policy can be found on the company's website.

The Company paid a total fee of £87,250 to Deloitte LLP in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses. During FY2026, Deloitte LLP provided the Committee with information on the external remuneration market, compliance support for this year's Directors' Remuneration Report and the provision of other advice relating to remuneration governance and market practice. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to its Code of Conduct. Deloitte LLP provided additional tax advisory services including global corporation tax compliance and employee mobility advice, as well as company secretarial, internal audit co-source, transaction and consultancy services.

The Committee is satisfied that the advice provided by Deloitte LLP is objective and independent and that it does not have connections with the company that may impair its independence.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Alister Cowan

Chair of the Remuneration & People Committee

DIRECTORS' REPORT

The Strategic report is a requirement of the Companies Act 2006 (the Act) and can be found on pages 2 to 54. The Company has chosen, in accordance with section 414C(11) of the Act, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. The Strategic report and the Directors' report together are the management report for the purposes of Rules 4.1.8R to 4.1.12R of the Disclosure Guidance and Transparency Rules.

Other information that is relevant to the Directors' report, and which is also incorporated by reference, can be found as follows:

Disclosure	Location
Likely future developments in the Company	Strategic report pages 2 to 20
Directors' dividend recommendation	Strategic report page 13
Research and development activities	Strategic report pages 15 to 18
Employment of disabled persons	Talent page 27
Engagement with UK employees	Building our culture page 22 Section 172 Statement and stakeholder engagement pages 63 and 64
Engagement with suppliers, customers and others in a business relationship with the Company	Board activity and key decisions pages 61 and 62 Section 172 Statement and stakeholder engagement pages 63 and 64
Political donations and expenditure	Directors' report page 91
GHG emissions, energy consumption and energy efficiency	Task Force on Climate-related Financial Disclosures pages 31 and 47 to 52
Corporate Governance Statement	Governance report pages 55 to 65
Directors during FY2026	Governance report pages 57 to 58
Director appointment	Governance report page 66
Amendment of Articles of Association	Governance report page 67
Indemnities	Governance report page 60
Change of control	Borrowings and net debt note 18
Directors' responsibility statement	Statement of Directors' responsibilities page 92
Disclosure of information to the auditor	Statement of Directors' responsibilities page 92
Financial instruments	Financial risk management note 19
Share capital disclosures	Share capital note 24
Acquisition of own shares (share buyback programme)	Share capital note 24
Directors' powers	Governance report page 56 Share capital note 24
Post balance sheet event	Post balance sheet event note 31
Overseas branches	Subsidiary undertakings page 181

DIRECTORS' REPORT CONTINUED

Listing Rules disclosure

Information required by the FCA's Listing Rules can be found as set out below. There are no further disclosures required in accordance with Listing Rule 6.6.1R.

Listing Rule	Disclosure	Location
6.6.1R(1)	Capitalised interest	There was no interest capitalised during FY2026
6.6.1R(4)(5)	Director emoluments	Remuneration & People Committee report page 77
6.6.1R(11)(12)	Dividend waiver	Dividend note 25
6.6.6R(1)	Directors' interests	Remuneration & People Committee report pages 85 and 89
6.6.6R(2)	Major shareholders' interests	Directors' report page 91
6.6.6R(3)	Going Concern and Viability Statement	Strategic report pages 53 and 54
6.6.6R(4)(a)	Purchase of own shares	Share capital note 24
6.6.6R(5)(6)	UK Corporate Governance Code compliance	Governance report page 55
6.6.6R(7)	Unexpired term of service contract	Remuneration & People Committee report page 88
6.6.6R(8)	TCFD disclosures	Task Force on Climate-related Financial Disclosures pages 47 to 52
6.6.6R(9)(10)(11)	Board and executive management diversity	Governance report page 68

Political donations

Smiths did not give any money for political purposes in the UK, the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. In accordance with the US Federal Election Campaign Act, Smiths provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by the Company and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising Government Relations employees. Contributions to political organisations reported by the PAC during FY2026 totalled US\$3,000 (FY2025: US\$61,500). Contributions to charitable organisations reported by the PAC during FY2026 totalled US\$48,098.46. The PAC was closed effective 20 August 2026.

Major shareholders' interests

As at 31 July 2026, the Company had been notified under the FCA's Disclosure Guidance & Transparency Rules of the following holdings of voting rights:

	Number of voting rights	% of total voting rights	Date of notification
Blackrock, Inc.	35.5m	11.8	17 July 2026
Wellington Management LLP	16.0m	5.3	14 May 2026
Harris Associates L.P	19.7m	5.0	22 July 2019
Dodge & Cox	19.2m	5.0	12 March 2022
Ameriprise Financial, Inc.	17.7m	5.0	5 December 2022
Artemis Investment Management LLP	17.6m	4.9	25 October 2022

The following notifications were received between 1 August and 9 September 2026:

	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	37.7m	13.0%	7 September 2026
Wellington Management LLP	14.6m	5.07%	1 September 2026

By order of the Board

James Down

Company Secretary

21 September 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, including a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement, and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

- Select suitable accounting policies and then apply them consistently;
- For the Group financial statements, make judgements and estimates that are reasonable, relevant, and reliable;
- For the Parent Company financial statements, make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether applicable UK-adopted international accounting standards have been followed;
- For the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed subject to any material departures disclosed and explained in the Parent Company financial statements;

- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate governance and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Directors' responsibility statement

Each of the Directors (who are listed on pages 57 to 58) confirms that to the best of his or her knowledge:

- The financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report and Directors' Report, together the management report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- As at the date of this Annual Report and financial statements, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps he or she should have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board of Directors:

Roland Carter
Chief Executive Officer

21 September 2026



Read more
Board biographies
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FINANCIAL STATEMENTS

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KPMG LLP'S INDEPENDENT AUDITOR'S REPORT

To the members of Smiths Group plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Smiths Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2026, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Smiths Group plc ("the Company") for the year ended 31 July 2026 (FY2026) included in the Annual Report and Accounts, which comprise:

Group

Consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, and consolidated cash-flow statement.

Notes 1 to 32 to the Group financial statements, including the accounting policies.

Parent Company (Smiths Group plc)

Company balance sheet and company statement of changes in equity.

Notes 1 to 13 to the Parent Company financial statements, including the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit & Risk Committee ("ARC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

2. Overview of our audit

Factors driving our view of risks	Following our FY2025 audit, and considering developments affecting the Group since then, we have updated our risk assessment decisions.	Key audit matters		vs FY2025	Item	
	The Group recognises a provision of £153m (FY2025: £191m) arising from ongoing asbestos litigation claims in John Crane, Inc. ("JCI"). There are significant judgements and estimates involved in the assumptions underlying this provision, including the period over which potential claims are projected to be made, the forecast number of future claims, and associated claim defence costs and complex estimation methodology. Consistent with FY2025, there is significant auditor judgement involved in evaluating the assumptions, and our assessment of the risk associated with this as a key audit matter remained consistent with prior year.	Estimation of litigation provisions for asbestos in John Crane, Inc. ^[a]	↔	4.1		
	In FY2026, the Group recognised a gain on disposal of £1,690m arising from the sale of the Smiths Detection and Smiths Interconnect divisions. This is considered a significant area of audit focus due to magnitude and the strategic nature of the transactions. This matter had a significant effect on our audit strategy and allocation of resources due to the audit effort required to assess the accounting, including whether the transactions were recognised in the appropriate accounting period, and related disclosures.	Accounting for the sale of Smiths Detection and Smiths Interconnect and related disclosures ^[a]	+	4.2		
	In the prior year, the valuation of the SIPS defined benefit pension liabilities was identified as a key audit matter for the Parent Company due to the significant estimation uncertainty involved. Following the execution of the SIPS buy-in insurance policy during FY2026, the risks and estimation uncertainty associated with the Company's defined pension position reduced significantly. Consequently, the prior-year key audit matter is no longer considered to be one of the matters of most significance in the current year's audit. Instead, our focus was on the accounting for the buy-in transaction, the allocation of a portion of any surplus remaining to enhance member benefits after the cost of buy-out and winding-up the scheme have been met and de-recognition of the residual surplus.	Accounting for the SIPS pension buy-in and recoverability of the related pension surplus ^[b]	↓	4.3		
	In the prior year, the recoverability of goodwill for the Smiths Detection business was reported as a key audit matter for the Group. Following the sale of Smiths Detection during FY2026, assessment of recoverability of the related goodwill is no longer relevant and has therefore been removed as a key audit matter.	(a) Key audit matter to the Group financial statements (b) Key audit matter to the Parent Company financial statements				
Audit & Risk Committee Interaction	During the year, the ARC met 6 times. KPMG is invited to attend all ARC meetings and is provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each key audit matter, we have set out communications with the ARC in section 4, including matters that required particular judgement for each.					
	The matters included in the ARC Chair's report on pages 69 to 75 are materially consistent with our observations of those meetings.					
Our Independence	We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.	Total audit fee	£4.8m			
	We have not performed any non-audit services during FY2026 or subsequently which are prohibited by the FRC Ethical Standard.	Audit-related fees (including interim review)	£3.5m			
	We were first appointed as auditor by the shareholders for the year ended 31 July 2020. The period of total uninterrupted engagement is for the 7 financial years ended 31 July 2026.	Other services	£0.2m			
	The Group engagement partner is required to rotate every 5 years. As these are the fourth set of the Group's financial statements signed by Mike Barradell, he will be required to rotate off after the FY2027 audit.	Non-audit fee as a % of total audit and audit-related fee % ¹	11.1%			
	The average tenure of component engagement partners as set out in section 7 below is 3 years, with the shortest being 1 and the longest being 5.	Date first appointed	13 November 2019			
		Uninterrupted audit tenure	7 years			
		Next financial period which requires a tender	FY2030			
		Tenure of Group engagement partner	4 years			
			Average tenure of component engagement partners	3 years		
		1 Audit related assurance services includes £0.4M (FY2025: £0.4M) for review of interim report and £3.1M (FY2025: £1.7M) for services delivered in FY26 in connection with the reporting accountant engagement for the historical financial information of the Group's Detection business, covering the three years ended 31 July 2025. This engagement was required to support the Company's legal and regulatory requirements associated with the proposed demerger. Accordingly, the related fees have been excluded from the calculation of non-audit services as a percentage of the audit fee. Following the abortion of the demerger transaction, all services associated with the planned demerger have been terminated.				

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

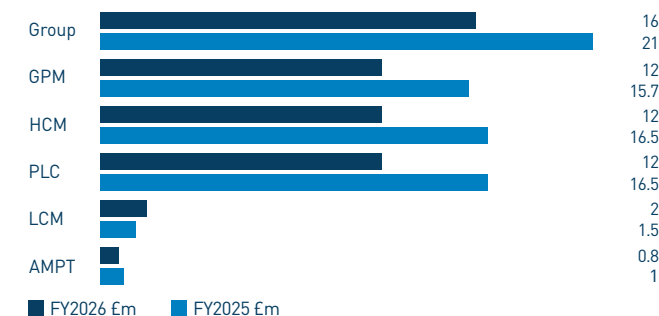
**Materiality
(Item 6 below)**

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £16m (FY2025: £21m) and for the Parent Company financial statements as a whole at £12m (FY2025: £16.5m).

Consistent with FY2025, we determined that Group profit before tax from continuing operations (PBTCo), normalised to exclude the effect of specific items as explained in section 6 of this report, remains the benchmark for the Group as profitability, along with prospects of future cash flows, are important to the users of the financial statements. As such, we based our Group materiality on normalised PBTCo of £329m (FY2025: £412.7m), of which it represents 4.9% (FY2025: 5.1%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets, limited to be less than Group materiality as a whole of which it represents 0.2% (FY2025: 0.4%).

Materiality levels used in our audit

Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

**Group Scope
(Item 7 below)**

We have performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, what audit procedures to perform at these components, and the extent of involvement required from our component auditors around the world.

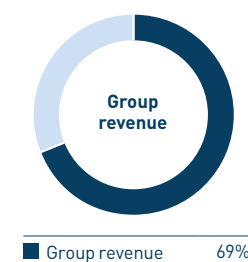
Based on this assessment, we determined 2 (FY2025: 2) components as quantitatively significant components, 0 (FY2025: 2) components as components where special audit consideration is necessary, and 18 (FY2025: 23) other components where we performed procedures to obtain further audit coverage.

In addition, for the remaining components for which we performed no audit procedures, we performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

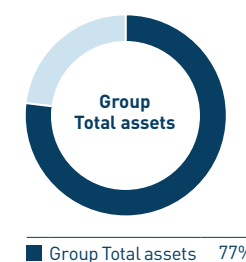
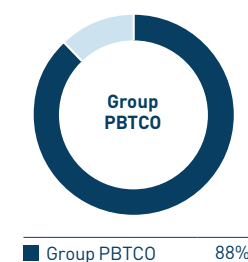
We consider the scope of our audit, as communicated to the ARC, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

Our audit procedures covered 69% of Group revenue from continuing operations:



We performed audit procedures in relation to components that accounted for the following percentages:



KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. As the Group has set out on page 48, climate change has the potential to give rise to several transition risks and opportunities and physical risks and opportunities. The Group has stated its commitment to achieve Net Zero for Scope 1 & 2 emissions by 2040 and to achieve Net Zero for Scope 3 emissions by 2050. The area of the financial statements that is most likely to be potentially affected by climate-related changes and initiatives is future loss of revenue due to supply chain challenges. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, as described on page 112, and concluded this did not have a material effect on the consolidated financial statements.

We performed a risk assessment, considering climate change risks and the commitments made by the Group. We made inquiries of management regarding their processes for assessing the potential impact of climate change risk on the Group's financial statements and held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment, we determined that there was no significant impact of climate change on our key audit matters included in section 4 or other key areas of the audit. We have read the Group's disclosure of climate-related information in the front half of the Annual Report and Accounts as set out on pages 47 to 52 and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period were:

- Adverse trading conditions and impact on the Group's operations or that of its suppliers and customers, such as delays and cancellations of orders and deliveries driven by geo-political and economic factors, resulting in a significant deterioration in the Group's liquidity position.
- Product quality failure which would result in reputational damage amongst customers and therefore reduction in orders and customer loss, as well as potential significant liability claims raised against the Group.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively, against the level of available financial resources indicated by the Group's financial forecasts. We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 53 of the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 53 to be acceptable; and
- The same statement under the UK Listing Rules is materially consistent with the financial statements and our audit knowledge.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED**Disclosures of emerging and principal risks and longer-term viability****Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the going concern and viability statement on page 53 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the going concern and viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the going concern and viability statement set out on page 53 under the UK Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters**What we mean**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.



KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

4.1 Estimation of litigation provisions for asbestos in John Crane, Inc. (Group)

Financial statement elements

	FY2026	FY2025
Estimation of litigation provisions for JCI asbestos	£153m	£191m

Our assessment of risk vs FY2025



We have not identified any significant changes to our assessment of the level of risk relating to estimation of litigation provisions for asbestos in JCI compared to FY2025.

Our results

FY2026: Acceptable
FY2025: Acceptable

Description of the key audit matter

Subjective estimate

There are significant judgements and estimates involved in the assumptions underlying the provision in respect of JCI asbestos litigation, including the period over which potential claims are projected to arise, the forecast number of future claims, and associated claim defence costs and complex estimation methodology.

The effect of these matters is that, as part of our risk assessment, we determined that the asbestos litigation provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The financial statements (note 23) disclose the sensitivity estimated by the Group.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Our actuarial expertise: Assessing the appropriateness of the ten-year projection period used by Group in estimating the litigation provision using our own actuarial specialist and our sector knowledge and expertise.

Benchmarking assumptions: Using our own actuarial specialists, we derived our own independent range of the estimated provision and assessed whether the provision calculated by the Group falls within this range.

Enquiry of lawyers: Obtaining external independent legal confirmations of historical and ongoing claims data used by the Group's expert for estimating the future projected cost and claims.

Assessment of the Group's expert: Assessing the competency, knowledge and independence of the expert using our own actuarial specialist.

Assessing methodology: Evaluating the methodology applied by the Group to determine the provision to assess whether it is in line with applicable accounting standards.

Historical comparison: Assessing and challenging the projected indemnity and defence expenditure through retrospective review of incurred cost.

Assessing transparency: Assessing whether the disclosures regarding reasonably possible changes in key judgements and assumptions appropriately reflect the estimation uncertainty and risks inherent in the calculation of the amount of provision.

Communications with the Smiths Group plc's Audit & Risk Committee

Our discussions with and reporting to the ARC included:

- Details of our audit approach and planned audit procedures, including engaging our actuarial specialist team to form an independent expectation of the provision recognised in the year.
- Our conclusion on the overall assessment of the assumptions supporting the litigation provision.
- Assessment of the adequacy of the disclosures in the financial statements in respect of the sensitivity of the provision to changes in key assumptions.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Appropriateness of the ten-year projection period used by the Group in estimating the litigation provision; and
- The range of possible outcomes for the litigation provision considering court judgements from past claims.

Our results

We found the level of litigation provision in respect of John Crane, Inc. asbestos litigation to be acceptable (FY2025: Acceptable).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 72 for details on how the ARC considered the estimation of litigation provision for JCI as an area of significant attention, page 112 for the accounting policy on provisions for liabilities and charges, and page 154, note 23 for the financial disclosures.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

4.2 Accounting for the sale of Smiths Detection and Smiths Interconnect and related disclosures (Group)

Financial statement elements

	FY2026	FY2025
Gain on sale of discontinued operation	£1,690m	N/A

Our assessment of risk vs FY2025

+ The sale of Smiths Detection and Smiths Interconnect is a key audit matter in FY2026 due to the magnitude and strategic significance of the transactions and the substantial auditor focus required to assess the related accounting, including whether the transactions were recognised in the appropriate accounting period, and the appropriateness of the financial statement disclosures.

Our results

FY2026: Acceptable
FY2025: N/A

Description of the key audit matter

Accounting application

During the year, the Group completed the sale of the Smiths Detection and Smiths Interconnect businesses, representing significant strategic transactions for the Group.

These transactions represented a significant area of auditor focus during the year due to the magnitude of the transactions, the number of businesses and jurisdictions affected, and the extensive audit procedures required to conclude on the accounting, including whether the transactions were recognised in the appropriate accounting period, and the appropriateness of the related financial statement disclosures.

Overall, we considered this to be one of the areas that had the greatest effect on our overall audit strategy and allocation of resources in planning and performing the related audit procedures.

Our response to the risk

We performed the procedures below rather than seeking to rely on Group's controls because the nature of the balance is such that we expected to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Accounting application: Assessing the Group's accounting papers for the sale transactions against the relevant accounting standard, including the basis for identifying the disposal date, de-recognition of the relevant assets and liabilities and recognition of the resulting gain or loss on sale in the financial statements.

Inspection of transaction documentation: Inspecting sale agreements, Board approvals including other supporting documentation relating to the transactions to assess whether the accounting treatment appropriately reflected the contractual terms of the transaction.

Testing sale proceeds: Agreeing sale proceeds to the bank receipts and underlying documentation.

Assessing accounting period: Performing procedures to assess whether the sale transaction, including the resulting gain or loss and the de-recognition of the related assets and liabilities, has been recognised in the appropriate accounting period.

Assessing transparency: Assessing the adequacy of the related financial statement disclosures.

Communications with the Smiths Group plc's Audit & Risk Committee

Our discussions with and reporting to the ARC included:

- Details of our audit approach and planned audit procedures over the sale transactions.
- Appropriateness of the accounting treatment applied to the sale transactions including appropriateness of the recognition and measurement of gains and losses recognised on sale.
- Adequacy of the disclosures in the financial statements.

Areas of particular auditor judgement

We did not identify any areas of particular auditor judgement.

Our results

We found the Group's accounting for the sale of the Smiths Detection and Smiths Interconnect businesses, together with the related disclosures, to be acceptable (FY2025: N/A).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 71 for details on how the ARC considered the accounting for the sale of Smiths Detection and Smiths Interconnect divisions and related disclosures as an area of significant attention, page 117 for the accounting policy on the sale of Smiths Detection and Smiths Interconnect businesses, and page 160, note 28 for the financial disclosures.



KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

4.3 Accounting for the SIPS pension buy-in and recoverability of the related pension surplus (Parent Company)

Financial statement elements

	FY2026	FY2025
Retirement benefit scheme settlement loss	£57m	–

Our assessment of risk vs FY2025



The risk has reduced in the current year following the execution of the buy-in insurance policy, which significantly reduced the estimation uncertainty associated with the SIPS defined benefit pension scheme.

Our results

FY2026: Acceptable
FY2025: Acceptable

Description of the key audit matter

Accounting treatment

During FY2026, the Company executed a buy-in insurance policy in respect of the SIPS defined benefit pension scheme. This required the Company to determine the appropriate accounting treatment for the buy-in and de-recognition of the previously recognised pension surplus which involved judgement. Given the significance of the transaction, this was considered to be a key audit matter.

In the prior year, the valuation of the SIPS defined benefit pension liabilities was identified as a key audit matter due to the significant estimation uncertainty involved. While we continued to perform audit procedures over the valuation of the defined benefit obligation in the current year, the execution of the buy-in insurance policy significantly reduced that estimation uncertainty. Consequently, the prior-year key audit matter is no longer considered to be one of the matters of most significance in the current year audit. Instead, our focus was on the accounting for the buy-in transaction.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Benchmarking assumptions: Challenging the key assumptions applied in the calculation of the pension obligation as at the date of the transaction, including the discount rates, inflation rates, mortality and future increases in pension payments with the support of our own actuarial specialists by comparing against market data.

Assessing the actuary's credentials: Assessing the competence, independence and integrity of the Company's actuarial expert involved in the valuation of the defined benefit pension obligation.

Accounting application: Inspecting contract documents, trustee minutes, project plan and communications to assess whether the buy-in transaction has been accounted for appropriately in accordance with the relevant accounting standard, involving our own actuarial specialists and using our sector knowledge and expertise.

Our actuarial expertise: Assessing the Company's judgements regarding the recoverability of any pension surplus under the relevant accounting standards, including the allocation of a portion of any surplus remaining to enhance member benefits, after the costs of buying-out and winding-up the scheme have been met and the recoverability of any residual surplus, involving our own actuarial specialists.

Test of detail: Confirmed the transfer of assets to the insurer to fund the initial premium for the buy-in. We reconciled the underlying benefit cash flows, administration and other expenses to the external evidence obtained.

Assessing transparency: Considering the adequacy of the disclosures in respect of the buy-in transaction, including the judgements applied by the Company.

Communications with the Smiths Group plc's Audit & Risk Committee

Our discussions with and reporting to the ARC included:

- Details of our audit approach and planned audit procedures over the SIPS buy-in transaction.
- Our conclusion on the appropriateness of the accounting treatment including the allocation of a portion of any pension surplus remaining to enhance member benefits after the costs of buying-out and winding-up the scheme have been met and de-recognition of any residual surplus following the SIPS buy-in.
- Assessment of the adequacy of the related disclosures in the financial statements.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- Assessment of the accounting treatment applied to the SIPS pension scheme buy-in, including the recognition of an additional obligation in respect of the allocation of a portion of any pension surplus remaining to enhance member benefits, after the costs of buying-out and winding-up the scheme have been met and de-recognition of any residual surplus under the accounting standards.

Our results

We found the accounting of the buy-in, including the recognition of an additional obligation in respect of any surplus sharing and recoverability of any residual surplus for the SIPS scheme in the period to be acceptable (FY2025: Acceptable).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 71 for details on how the ARC considered the accounting of surplus in relation to the SIPS pension scheme buy-in as an area of significant attention, page 116 for the accounting policy on pension obligations and post-retirement benefits, and page 130, note 8 for the financial disclosures.

In the prior year, the recoverability of goodwill for the Smiths Detection business (Group) was reported as a key audit matter. Following the sale of Smiths Detection during FY2026, impairment assessment of the related goodwill no longer represented one of the matters of most significance in the current year audit and has therefore been removed as a key audit matter.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: – Enquiring of Directors, the ARC, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud. – Reading Board, Audit & Risk, Disclosure, Nomination & Governance and Remuneration & People Committee minutes. – Considering remuneration incentive schemes and performance targets for management and Directors including the organic revenue growth targets and EPS target for the Directors' long-term incentive plan. – Using analytical procedures to identify any unusual or unexpected relationships. – Involving forensic specialists to discuss identified events or conditions and findings of risk assessment procedures.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to component auditors of relevant fraud risks identified at the Group level and requesting component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.
Fraud risks	As required by auditing standards and considering possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. Following the sale of Smiths Detection and Smiths Interconnect, there is greater focus from investors on the performance of the continuing Group which creates additional pressure on reporting strong performance. In our view, this gives rise to a heightened risk of management override of controls, which is a significant financial statement level fraud risk. This could be perpetrated through mechanisms including journal entries, non-headline expenditure, estimates and judgements that are subject to management bias and greater susceptibility to fraud. On this audit, we do not believe there is a fraud risk related to revenue recognition due to limited opportunity from the simplicity of revenue transactions.
Procedures to address fraud risks	We performed procedures including: – Identifying journal entries to test for all components where we performed audit procedures based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted in unusual account combinations, entries posted by a seldom user crediting an expense or revenue account, journal entries posted to seldom used accounts crediting an expense or revenue account, journal entries with keywords, and entries posted by senior finance management including the individuals directly involved in the divestment incentive scheme. – Testing consolidation adjustment entries posted and comparing the identified entries to supporting documentation. – Procedures in respect of non-headline expenditure. – Procedures over areas of estimation and judgement and reviewing changes in accounting policies and estimates.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

Laws and regulations – Identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment, including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group auditor to component auditors of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation and pensions legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, considering dealings with government officials, employment law, and certain aspects of company legislation, recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Context	
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£16m (FY2025: £21m) Materiality for the Group financial statements as a whole	What we mean A quantitative reference for the purpose of planning and performing our audit. Basis for determining materiality and judgements applied Materiality for the Group financial statements as a whole was set at £16m (FY2025: £21m). This was determined with reference to a benchmark of Group normalised profit before tax from continuing operations (PBTCo). Consistent with FY2025, we determined that normalised PBTCo remains the main benchmark for the Group. We normalised PBTCo for the following items because they do not represent normal, continuing operations of the Group. The items we adjusted for were retirement benefit scheme settlement loss of £57m and corporate restructuring costs of £27m stated in note 3 of	the financial statements. (FY2025: PBTCo was normalised by adjusting for corporate restructuring costs of £22m and impairment of prior year working capital balances of £15m). Our Group materiality of £16m was determined by applying a percentage to the normalised PBTCo. When using a benchmark of normalised PBTCo to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 3-5% of the measure. In setting Group materiality, we applied a percentage of 4.9% (FY2025: 5.1%) to the benchmark. Materiality for the Parent Company financial statements as a whole was set at £12m (FY2025: £16.5m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.2% (FY2025: 0.4%).
£12m (FY2025: £15.7m) Performance materiality	What we mean Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Basis for determining performance materiality and judgements applied We consider performance materiality at a level of 75% (FY2025: 75%) of materiality for Smiths Group plc Group financial statements as a whole to be appropriate.	The Parent Company performance materiality was set at £9m (FY2025: £12.3m), which equates to 75% (FY2025: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£0.8m (FY2025: £1m) Audit misstatement posting threshold	What we mean This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Smiths Group plc's ARC.	Basis for determining the audit misstatement posting threshold and judgements applied We set our audit misstatement posting threshold at 5% (FY2025: 5%) of our materiality for the Group financial statements. We also report to the ARC any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £16m (FY2025: £21m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group PBTCo		Total Group assets	
	FY2026	FY2025 ¹	FY2026	FY2025 ¹	FY2026	FY2025
Financial statement caption	£1,937m	£2,915m	£245m	£375m	£4,838m	£4,011m
Group materiality as % of caption	0.8%	0.7%	6.5%	5.6%	0.3%	0.5%

¹ The comparative for Total Group revenue and Group PBTCo is on a total operations basis as reported in the FY2025 financial statements.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

7. The scope of our audit

Group scope

What we mean

How the Group auditor determined the procedures to be performed across the Group.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 248 (FY2025: 246) components, having considered our evaluation of the Group's operational structure, the Group's legal structure, the existence of common information systems, the existence of common risk profile across entities/divisions, geographical locations, and our ability to perform audit procedures centrally.

Of those, we identified quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected additional components with accounts contributing to the specific RMMs of the Group financial statements.

The below summarises where we performed audit procedures, with the prior year comparatives indicated in brackets:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	2 (2)	£7.5m – £12m (£3m – £16.5m)
Components requiring special audit consideration	0 (2)	Not in scope in FY2026 (£1.5m – £2m)
Other components where we performed procedures	18 (23)	£2m – £7m (£1.8m – £8m)
Total	20 (27)	

We involved component auditors in performing the audit work on 18 (FY2025: 26) out of 20 (FY2025: 27) components and the audit of 2 components including the Parent Company, as a component, was performed by the Group audit team. We performed audit procedures on the items excluded from the normalised Group PBTCO used as the benchmark for our materiality. We set the component materialities having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 69% (FY2025: 71%) of Group revenue from continuing operations. We performed audit procedures in relation to components that accounted for 88% (FY2025: 82%) of Group PBTCO and 77% (FY2025: 77%) of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 2% (FY2025: 7%) of Group total revenue, Group PBTCO or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

The Group audit team has also performed audit procedures on the following areas on behalf of the components:

- Intercompany balances and transactions
- Data and analytics routines on revenue and journal entries
- IT audit involvement over:
 - i) Understanding of the information technology environment
 - ii) Test of design and implementation over general IT controls and automated controls
- Controls environment, risk assessment, monitoring, information and communication components of internal control over financial reporting
- Review of transfer pricing arrangements across the Group

These items were audited by the Group team because of the centralised nature of the data processing activities within the Group. The Group team communicated the results of these procedures to the component auditors where relevant.

Impact of controls on our Group audit

The Group utilises a diverse range of IT systems across its operating businesses. For all of the components where we performed audit procedures, we, with the assistance of our IT specialists, obtained an understanding of the relevant IT systems for the purposes of our audit work. On this audit, we take a predominantly substantive audit approach in all areas of the audit due to the diverse nature of the Group's information systems and IT general controls, as well as having considered the efficiency and effectiveness of approaches to gaining the appropriate audit evidence.

Given we did not rely upon manual or IT controls, we performed additional substantive testing to respond to the risks identified. This included direct manual testing over the completeness and reliability of data used in our data-orientated approach over testing journals and revenue.

Group auditor oversight

What we mean

The extent of the Group auditor's involvement in work performed by component auditors.

In working with component auditors, we:

- Included the component auditors' engagement partners and managers in the Group planning discussions to facilitate inputs from component auditors in the identification of matters relevant to the Group audit.
- Issued Group audit instructions to component auditors on the scope and nature of their work.

- Visited 4 (FY2025: 5) component auditors in person as the audit progressed to understand and evaluate their work and organised multiple video conferences with the component auditors. At these visits, meetings and video conferences, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditors.
- We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on areas involving significant risks such as management override of controls.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit & Risk Committee, including the significant issues that the Audit & Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review.

We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 92, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Barradell

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

21 September 2026

CONSOLIDATED PRIMARY STATEMENTS

Consolidated income statement

		Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Notes	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
CONTINUING OPERATIONS							
Revenue	1	1,937	–	1,937	1,898	–	1,898
Operating costs	2	(1,538)	(110)	(1,648)	(1,510)	(41)	(1,551)
Operating profit/(loss)	1	399	(110)	289	388	(41)	347
Interest income	4	44	–	44	35	–	35
Interest expense	4	(80)	–	(80)	(62)	4	(58)
Other financing losses	4	–	(13)	(13)	–	(11)	(11)
Other finance income – retirement benefits	4	–	5	5	–	4	4
Finance costs	4	(36)	(8)	(44)	(27)	(3)	(30)
Profit/(loss) before taxation		363	(118)	245	361	(44)	317
Taxation	6	(89)	1	(88)	(82)	19	(63)
Profit/(loss) for the year		274	(117)	157	279	(25)	254
DISCONTINUED OPERATIONS							
Profit from discontinued operations	28	153	1,662	1,815	133	(95)	38
PROFIT/(LOSS) FOR THE YEAR		427	1,545	1,972	412	(120)	292
Profit/(loss) for the year attributable to:							
Smiths Group shareholders – continuing operations		272	(117)	155	277	(25)	252
Smiths Group shareholders – discontinued operations		153	1,662	1,815	133	(95)	38
Non-controlling interests		2	–	2	2	–	2
		427	1,545	1,972	412	(120)	292
EARNINGS PER SHARE							
Basic				628.8p			85.7p
Basic – continuing				49.5p			74.5p
Diluted				626.2p			85.3p
Diluted – continuing				49.3p			74.1p

* Results for the year ended 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

References in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash-flow statement relate to notes on pages 120 to 166, which form an integral part of the consolidated accounts.



CONSOLIDATED PRIMARY STATEMENTS CONTINUED

Consolidated statement of comprehensive income

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
PROFIT FOR THE YEAR		1,972	292
Other comprehensive income (OCI)			
OCI which will not be reclassified to the income statement:			
Re-measurement of retirement benefit assets and obligations	8	(70)	(3)
Taxation on post-retirement benefit movements	6	14	–
Fair value movements on financial assets at fair value through OCI	14	–	8
		(56)	5
OCI which will be reclassified and reclassifications:			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		3	(1)
– reclassified to income statement on cash-flow and net investment hedges		(1)	2
		2	1
Foreign exchange (FX) movements:			
Exchange losses on translation of foreign operations		(15)	(35)
Exchange gains recycled to the income statement on disposal of business		(35)	–
		(50)	(35)
Total other comprehensive income, net of taxation		(104)	(29)
TOTAL COMPREHENSIVE INCOME		1,868	263
Attributable to:			
Smiths Group shareholders		1,869	261
Non-controlling interests		(1)	2
		1,868	263
Total comprehensive income attributable to Smiths Group shareholders arising from:			
Continuing operations		89	241
Discontinued operations		1,780	20
		1,869	261

* Results for the year ended 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

CONSOLIDATED PRIMARY STATEMENTS CONTINUED

Consolidated balance sheet

	Notes	31 July 2026 £m	31 July 2025 £m
NON-CURRENT ASSETS			
Intangible assets	10	624	1,284
Property, plant and equipment	12	208	244
Right of use assets	13	95	99
Financial assets – other investments	14	6	6
Retirement benefit assets	8	2	128
Deferred tax assets	6	78	98
Trade and other receivables	16	78	90
Financial derivatives	20	–	10
		1,091	1,959
CURRENT ASSETS			
Inventories	15	284	586
Current tax receivable	6	9	20
Trade and other receivables	16	464	737
Cash and cash equivalents	18	2,956	195
Financial derivatives	20	21	7
Assets held for sale	28	13	507
		3,747	2,052
TOTAL ASSETS		4,838	4,011
CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(563)	(3)
Financial liabilities – lease liabilities	18	(24)	(29)
Financial liabilities – financial derivatives	20	(2)	(2)
Provisions	23	(45)	(56)
Trade and other payables	17	(675)	(679)
Current tax payable	6	(35)	(66)
Liabilities held for sale	28	(7)	(106)
		(1,351)	(941)
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(537)	(556)
Financial liabilities – lease liabilities	18	(80)	(79)
Financial liabilities – financial derivatives	20	(22)	–
Provisions	23	(160)	(198)
Retirement benefit obligations	8	(50)	(96)
Deferred tax liabilities	6	(23)	(43)
Trade and other payables	17	(10)	(38)
		(882)	(1,010)
TOTAL LIABILITIES		(2,233)	(1,951)
NET ASSETS		2,605	2,060

	Notes	31 July 2026 £m	31 July 2025 £m
SHAREHOLDERS' EQUITY			
Share capital	24	111	124
Share premium account		365	365
Capital redemption reserve		44	31
Merger reserve		235	235
Cumulative translation adjustments		169	317
Retained earnings		1,733	1,147
Hedge reserve	26	(75)	(183)
TOTAL SHAREHOLDER'S EQUITY		2,582	2,036
Non-controlling interest equity	26	23	24
TOTAL EQUITY		2,605	2,060

The accounts on pages 107 to 166 were approved by the Board of Directors on 21 September 2026 and were signed on its behalf by:

Roland Carter
Chief Executive Officer

Julian Fagge
Chief Financial Officer

CONSOLIDATED PRIMARY STATEMENTS CONTINUED

Consolidated statement of changes in equity

	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2025		489	266	317	1,147	(183)	2,036	24	2,060
Profit for the year		–	–	–	1,970	–	1,970	2	1,972
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(56)	–	(56)	–	(56)
– FX movements net of recycling		–	–	(148)	(5)	106	(47)	(3)	(50)
– fair value gains and related tax		–	–	–	–	2	2	–	2
Total comprehensive income for the year		–	–	(148)	1,909	108	1,869	(1)	1,868
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(43)	–	(43)	–	(43)
Proceeds received on exercise of employee share options		–	–	–	2	–	2	–	2
Share buybacks	24	(13)	13	–	(1,159)	–	(1,159)	–	(1,159)
Dividends:									
– equity shareholders	25	–	–	–	(149)	–	(149)	–	(149)
Share-based payment	9	–	–	–	26	–	26	–	26
At 31 July 2026		476	279	169	1,733	(75)	2,582	23	2,605
	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2024		495	260	353	1,306	(184)	2,230	22	2,252
Profit for the year		–	–	–	290	–	290	2	292
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(3)	–	(3)	–	(3)
– FX movements net of recycling		–	–	(36)	1	–	(35)	–	(35)
– fair value gains and related tax		–	–	–	8	1	9	–	9
Total comprehensive income for the year		–	–	(36)	296	1	261	2	263
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(23)	–	(23)	–	(23)
Proceeds received on exercise of employee share options		–	–	–	1	–	1	–	1
Share buybacks	24	(6)	6	–	(303)	–	(303)	–	(303)
Dividends:									
– equity shareholders	25	–	–	–	(152)	–	(152)	–	(152)
Share-based payment	9	–	–	–	22	–	22	–	22
At 31 July 2025		489	266	317	1,147	(183)	2,036	24	2,060

CONSOLIDATED PRIMARY STATEMENTS CONTINUED

Consolidated cash-flow statement

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Net cash inflow from operating activities	29	241	456
CASH-FLOWS FROM INVESTING ACTIVITIES			
Expenditure on capitalised development		–	(4)
Expenditure on other intangible assets		(3)	(4)
Purchases of property, plant and equipment		(64)	(72)
Disposals of property, plant and equipment		8	–
(Investment in)/disposal of financial assets		(1)	53
Acquisition of businesses (net of £6m of cash acquired with businesses)	27	(159)	(121)
Acquisition of businesses related to discontinued operations	28	(6)	–
Acquisition of business - deferred consideration		(11)	–
Proceeds on disposal of subsidiaries, net of cash disposed	28	3,245	(12)
Net cash-flow used in investing activities		3,009	(160)
CASH-FLOWS FROM FINANCING ACTIVITIES			
Share buybacks	24	(839)	(303)
Purchase of shares by Employee Benefit Trust	26	(43)	(23)
Proceeds received on exercise of employee share options		2	1
Settlement of cash-settled options		–	(1)
Dividends paid to equity shareholders	25	(149)	(152)
Cash inflow from matured derivative financial instruments		(4)	2
Increase in new borrowings		565	–
Lease payments		(41)	(41)
Net cash-flow used in financing activities		(509)	(517)
Net increase/(decrease) in cash and cash equivalents		2,741	(221)
Cash and cash equivalents at beginning of year		195	459
Movement in cash held in disposal groups		31	(31)
Foreign exchange rate movements		(11)	(12)
Cash and cash equivalents at end of year	18	2,956	195
Cash and cash equivalents at end of year comprise:			
– cash at bank and in hand		100	102
– short-term deposits		2,856	93
		2,956	195

ACCOUNTING POLICIES**Basis of preparation**

The accounts have been prepared in accordance with UK adopted International Accounting Standards.

The consolidated financial statements have been prepared under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities, held at fair value as described below.

Going concern

The Directors have prepared a going concern assessment, covering a period of at least 12 months from the date of approval of the financial statements, which takes into account the current financial projections and the borrowing facilities available to the Group and then applies a severe but plausible downside scenario.

This assessment is consistent with the conclusions of the Group's 'Going concern and viability statement' on pages 53 and 54, which has been based on the Group's strategy, balance sheet and financing position, including our undrawn US\$800m committed Revolving Credit Facility which matures in May 2030. Having assessed the principal and emerging risks, especially those most relevant during the going concern assessment period, stress testing confirmed that the Group will have adequate headroom over that period.

Consequently, the Directors are satisfied that the Group and Company has sufficient resources for its operational needs and will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements have therefore been prepared on a going concern basis.

Climate change

Climate change is recognised as a principal risk and uncertainty for the Group, both in terms of the risk of climate-related incidents causing disruption to our supply chain or operations and the risk of changes in climate conditions cause business disruption and economic loss for the Group.

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 47 to 52, and in the preparation of our Strategic Plan, which underpins our viability statement and going concern review modelling.

There has been no material impact identified on the financial reporting judgements and estimates. Overall, sustainability is recognised as a growth driver for the Group and a key part of our investment case. This is consistent with our assessment that climate change is not expected to have a detrimental impact on the viability of the Group in the medium term.

These financial statements cover the financial year from 1 August 2025 to 31 July 2026 (FY2026) with comparative figures from 1 August 2024 to 31 July 2025 (FY2025).

Key estimates and significant judgements

The preparation of the accounts in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The key sources of estimation uncertainty together with the significant judgements and assumptions used for these consolidated financial statements are set out below.

Sources of estimation uncertainty**Business combinations**

During FY2026 the Group acquired one business, DRC Heat Transfer (DRC). On the acquisition of a business, the Group is required to identify specific intangible assets which are recognised separately from goodwill and then amortised over their estimated useful lives. The assumptions involved in determining the fair values for assets and liabilities acquired, including the separate identification of intangible assets, and the useful economic life of such items use management estimates and are therefore subjective.

Management have engaged a third party specialist to assist with the valuation of the acquired intangible assets for DRC, see note 27 for further information. Depending on the nature of the assets the Group has used different valuation methodologies to arrive at the fair value including the excess earnings method and the relief from royalty method.

Provisions for liabilities and charges

The Group has made provisions for claims and litigations where it has had to defend itself against proceedings brought by other parties. These provisions have been made for the best estimate of the expected expenditure required to settle each obligation, although there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred. The most significant of these litigation provisions is described below.

John Crane, Inc. (JCI), a subsidiary of the Group, is one of many co-defendants in litigation relating to products previously manufactured which contained asbestos. Provision of £153m (FY2025: £191m) has been made for the future defence costs which the Group is expected to incur and the expected costs of future adverse judgements against JCI. Whilst well-established incidence curves can be used to estimate the likely future pattern of asbestos-related disease, JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. Because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of the related litigation, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that will be incurred.

ACCOUNTING POLICIES CONTINUED

In quantifying the expected costs JCI takes account of the advice of an expert in asbestos liability estimation. The following estimates were made in preparing the provision calculation:

- The period over which the expenditure can be reliably estimated is judged to be ten years, based on past experience regarding significant changes in the litigation environment that have occurred every few years and on the amount of time taken in the past for some of those changes to impact the broader asbestos litigation environment. See note 23 for a sensitivity analysis showing the impact on the provision of reducing or increasing this time horizon; and
- The future trend of legal costs, the rate of future claims filed, the rate of successful resolution of claims, and the average amount of judgements awarded have been projected based on the past history of JCI claims and well-established tables of asbestos incidence projections, since this is the best available evidence. Claims history from other defendants is not used to calculate the provision because JCI's defence strategy generates a significantly different pattern of legal costs and settlement expenses. See note 23 for a sensitivity analysis showing the range of expected future spend.

Taxation

Taxation liabilities included provisions of £16m (FY2025: £35m), the majority of which related to the risk of challenge to the geographic allocation of profits by tax authorities.

In addition to the risks provided for, the Group faces a variety of other tax risks, which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules, new and ongoing tax audits in the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group anticipates that a number of tax audits are likely to conclude in the next 12 to 24 months. Due to the uncertainty associated with such tax items, it is possible that the conclusion of open tax matters may result in a final outcome that varies significantly from the amounts noted above.

Significant judgements made in applying accounting policies**Business combinations**

As stated in the previous section 'Sources of estimation uncertainty', in FY2026 the Group has applied judgement on the identification of specific intangible assets on the DRC business acquisition, see note 27 for further information. These include items such as brand names, order backlog and customer relationships, to which value is first attributed at the time of acquisition.

In FY2026, appropriate professional advice has been sought on the allocation of value for the DRC acquisition.

Taxation

As stated in the previous section 'Sources of estimation uncertainty', the Group has applied judgement in the decisions made to recognise provisions against uncertain tax positions; please see note 6 for further details.

Presentation of headline profits and organic growth

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the income statement is presented in a

three-column format with 'headline' profits shown separately from non-headline items. In addition, the Group reports organic growth rates for sales and profit measures.

See note 1 for disclosures of headline operating profit and note 30 for more information about the alternative performance measures ('APMs') used by the Group.

Judgement is required in determining which items should be included as non-headline. The amortisation/impairment of acquired intangibles, legacy liabilities, material one-off items and certain re-measurements are included in a separate column of the income statement. See note 3 for a breakdown of the items excluded from headline profit.

Calculating organic growth also requires judgement. Organic growth adjusts the movement in headline performance to exclude the impact of foreign exchange and acquisitions.

Significant accounting policies**Basis of consolidation**

The Group's consolidated accounts include the financial statements of Smiths Group plc (the 'Company') and all entities controlled by the Company (its subsidiaries). A list of the subsidiaries of Smiths Group plc is provided on pages 181 to 184.

The Company controls an entity when it (i) has power over the entity; (ii) is exposed or has rights to variable returns from its involvement with the entity; and (iii) has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of these three elements of control. Subsidiaries are fully consolidated from the date on which control is obtained by the Company to the date that control ceases.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The non-controlling interests in the Group balance sheet represent the share of net assets of subsidiary undertakings held outside the Group. The movement in the year comprises the profit attributable to such interests together with any dividends paid, movements in respect of corporate transactions and related exchange differences.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Group financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

All intercompany transactions, balances, and gains and losses on transactions between Group companies are eliminated on consolidation.

Foreign currencies

The Company's presentational currency and functional currency is sterling. The financial position of all subsidiaries and associates that have a functional currency different from sterling are translated into sterling at the rate of exchange at the date of that balance sheet, and the income

ACCOUNTING POLICIES CONTINUED

and expenses are translated at average exchange rates for the period. All resulting foreign exchange rate movements are recognised as a separate component of equity.

Foreign exchange rate movements arising on the translation of non-monetary assets and liabilities held in hyperinflationary subsidiaries are recognised in OCI. The amounts taken to the Cumulative Translation Adjustments reserve represent the combined effect of restatement and translation and are expressed as a net change for the year.

On consolidation, foreign exchange rate movements arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the cumulative amount of such foreign exchange rate movements is recognised in the income statement as part of the gain or loss on sale.

Foreign exchange rate movements arising on transactions are recognised in the income statement. Those arising on trading are taken to operating profit; those arising on borrowings are classified as finance income or cost.

Revenue

Revenue is measured at the fair value of the consideration received, net of trade discounts (including distributor rebates) and sales taxes. Revenue is discounted only where the impact of discounting is material.

When the Group enters into complex contracts with multiple, separately identifiable components, the terms of the contract are reviewed to determine whether or not the elements of the contract should be accounted for separately. If a contract is being split into multiple components, the contract revenue is allocated to the different components at the start of the contract. The basis of allocation depends on the substance of the contract. The Group considers relative stand-alone selling prices, contractual prices and relative cost when allocating revenue.

The Group has identified the following different types of revenue:

(i) Sale of goods recognised at a point in time – generic products manufactured by Smiths

Generic products are defined as either:

- Products that are not specific to any particular customer;
- Products that may initially be specific to a customer but can be reconfigured at minimal cost, i.e., retaining a margin, for sale to an alternative customer; or
- Products that are specific to a customer but are manufactured at Smiths risk, i.e., we have no right to payment of costs plus margin if the customer refuses to take control of the goods.

For established products with simple installation requirements, revenue is recognised when control of the product is passed to the customer. The point in time that control passes is defined in accordance with the agreed shipping terms and is determined on a case-by-case basis. The time of dispatch or delivery of the goods to the customer is normally the point at which invoicing occurs. However for some generic products, revenue is recognised when the overall performance obligation has been completed, which is often after the customer has completed its acceptance procedures and has assumed control.

Products that are sold under multiple element arrangements, i.e., contracts involving a combination of products and services, are bundled into a single performance obligation unless the customer can

benefit from the goods or services either on their own, or together with other resources that are readily available to the customer and are distinct within the context of the contract.

For contracts that pass control of the product to the customer only on completion of installation services, revenue is recognised upon completion of the installation.

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

(ii) Sale of goods recognised over time – customer-specific products where the contractual terms include rights to payment for work performed to date

Customer-specific products are defined as being:

- Products that cannot be reconfigured economically such that it remains profitable to sell to another customer;
- Products that cannot be sold to another customer due to contractual restrictions; and
- Products that allow Smiths to charge for the work performed to date in an amount that represents the costs incurred to date plus a margin, should the customer refuse to take control of the goods.

For contracts that meet the terms listed above, revenue is recognised over the period that the Group is engaged in the manufacture of the product, calculated using the input method based on the amount of costs incurred to date compared to the overall costs of the contract. This is considered to be a faithful depiction of the transfer of the goods to the customer as the costs incurred, total expected costs and total order value are known. The time of dispatch or delivery of the goods to the customer is normally the point at which invoicing occurs.

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

(iii) Services recognised over time – services relating to the installation, repair and ongoing maintenance of equipment

Services include installation, commissioning, testing, product repairs and contracts undertaking extended warranty services.

For complex installations where the supply of services cannot be separated from the supply of product, revenue is recognised upon acceptance of the combined performance obligation (see Sale of goods (i) above).

For services that can be accounted for as a separate performance obligation, revenue is recognised over time, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Depending on the nature of the contract, revenue is recognised as follows:

- Installation, commissioning and testing services (when neither linked to the supply of product nor subject to acceptance) are recognised rateably as the services are provided;

ACCOUNTING POLICIES CONTINUED

- Product repair services, where the product is returned to Smiths premises for remedial action, are recognised when the product is returned to the customer and they regain control of the asset;
- Onsite ad hoc product repair services are recognised rateably as the services are performed;
- Long-term product repair and maintenance contracts are recognised rateably over the contract term; and
- Extended service warranties are recognised rateably over the contract term.

Invoicing for services depends on the nature of the service provided with some services charged in advance and others in arrears.

Where contracts are accounted for under the revenue recognised over time basis, the proportion of costs incurred is used to determine the percentage of contract completion.

Contracts for the construction of substantial assets, which normally last in excess of one year, are accounted for under the revenue recognised over time basis, using an input method.

For fixed-price contracts, revenue is recognised based upon an assessment of the amount of cost incurred under the contract, compared to the total expected costs that will be incurred under the contract. This calculation is applied cumulatively with any over/under recognition being adjusted in the current period.

For cost-plus contracts, revenue is recognised based upon costs incurred to date plus any agreed margin.

For both fixed-price and cost-plus contracts, invoicing is normally based on a schedule with milestone payments.

Contract costs

The Group has taken the practical expedient of not capitalising contract costs as they are expected to be expensed within one year from the date of signing.

Leases

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

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

When a lease contract is modified, either from a change to the duration of the lease or a change to amounts payable, the Group remeasures the lease liability by discounting the revised future lease payments at a revised discount rate. A corresponding adjustment is made to the carrying value of the related right of use asset.

Leases of buildings typically have lease terms between one and seven years, while plant and machinery generally have lease terms between one and three years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value (typically below £5,000). The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Interest on lease liabilities is presented as a financing activity in the Consolidated Cash-Flow Statement, included under the heading lease payments.

Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

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

The Group operates and is subject to taxation in many countries. Tax legislation is different in each country, is often complex and is subject to interpretation by management and government authorities. These matters of judgement give rise to the need to create provisions for uncertain tax positions which are recognised when it is considered more likely than not that there will be a future outflow of funds to a taxing authority. Provisions are made against individual exposures and take into account the specific circumstances of each case, including the strength of technical arguments, recent case law decisions or rulings on similar issues and relevant external advice.

The amounts are measured using one of the following methods, depending on which of the methods the Directors expect will better reflect the amount the Group will pay to the tax authority:

- The single best estimate method is used where there is a single outcome that is more likely than not to occur. This will happen, for example, where the tax outcome is binary or the range of possible outcomes is very limited; or
- Alternatively, a probability weighted expected value is used where, on the balance of probabilities, there will be a payment to the tax authority but there are a number of possible outcomes. In this case, a probability is assigned to each outcome and the amount provided is the sum of these risk-weighted amounts. In assessing provisions against uncertain tax positions, management uses in-house tax experts, professional firms and previous experience of the taxing authority to evaluate the risk.

Deferred tax is provided in full using the balance sheet liability method. A deferred tax asset is recognised where it is probable that future taxable income will be sufficient to utilise the available relief. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities and assets are not discounted.

Tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

ACCOUNTING POLICIES CONTINUED**IAS 12 International Tax Reform: Pillar Two Model Rules**

On 19 July 2023, the UK Endorsement Board adopted the Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules, issued by the IASB in May 2023. The Amendments introduce a temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules and the Group has applied this exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Employee benefits**Share-based compensation**

The fair value of share awards and share options granted are recognised as an expense over their vesting period to reflect the value of the employee services received. The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share awards which are likely to vest.

For cash-settled share-based payment, a liability is recognised based on the fair value of the payment earned by the balance sheet date. For equity-settled share-based payment, the corresponding credit is recognised directly in reserves.

Pension obligations and post-retirement benefits

Pensions and similar benefits (principally healthcare) are accounted for under IAS 19. The retirement benefit obligation in respect of the defined benefit plans is the liability (the present value of all expected future obligations) less the fair value of the plan assets.

The income statement expense is allocated between current service costs, reflecting the increase in liability due to any benefit accrued by employees in the current period, any past service costs/credits and settlement losses or gains which are recognised immediately, and the scheme administration costs.

Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise. These comprise the impact on the liabilities of changes in demographic and financial assumptions compared with the start of the year, actual experience being different to assumptions and the return on plan assets being above or below the amount included in the net pension interest cost.

Payments to defined contribution schemes are charged as an income statement expense as they fall due.

Intangible assets**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The goodwill arising from acquisitions of subsidiaries after 1 August 1998 is included in intangible assets, tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The goodwill arising from acquisitions of subsidiaries before 1 August 1998 was set against reserves in the year of acquisition.

Goodwill is tested for impairment at least annually. Should the test indicate that the net realisable value of the CGU is less than current carrying value, an impairment loss will be recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- Amounts recoverable from third parties; and
- Expenditure incurred in respect of the development of major new products where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that the product is ready for sale. Amortisation is charged straight line or based on the units produced, depending on the nature of the product and the availability of reliable estimates of production volumes.

The cost of development projects which are expected to take a substantial period of time to complete includes attributable borrowing costs.

Intangible assets acquired in business combinations

The identifiable net assets acquired as a result of a business combination may include intangible assets other than goodwill. Any such intangible assets are amortised straight line over their expected useful lives as follows:

Patents, licences and trademarks	up to 20 years
Technology	up to 13 years
Customer relationships	up to 15 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Software, patents and intellectual property

The estimated useful lives are as follows:

Software	up to seven years
Patents and intellectual property	shorter of the economic life and the period the right is legally enforceable

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

ACCOUNTING POLICIES CONTINUED**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses.

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives. In general, the rates used are:

Freehold and long leasehold buildings	2% per annum
Short leasehold property	over the period of the lease
Plant, machinery, etc.	10% to 20% per annum
Fixtures, fittings, tools and other equipment	10% to 33% per annum

The cost of any assets which are expected to take a substantial period of time to complete includes attributable borrowing costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of items of inventory which take a substantial period of time to complete includes attributable borrowing costs.

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for any slow-moving, obsolete or defective inventories.

Trade and other receivables

Trade receivables are either classified as 'held to collect' and initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for expected credit losses or as 'held to collect and sell' and measured at fair value through other comprehensive income (FVOCI).

A provision for expected credit losses is established when there is objective evidence that it will not be possible to collect all amounts due according to the original payment terms. Expected credit losses are determined using historical write-offs as a basis, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and with a default risk multiplier applied to reflect country risk premium. The Group applies the IFRS 9 simplified lifetime expected credit loss approach for trade receivables and contract assets which do not contain a significant financing component.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance

contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

Provisions are discounted where the time value of money is material.

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

Businesses held for sale

Businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent remeasurements are included in the income statement. No depreciation is charged on assets and businesses classified as held for sale.

Businesses are classified as held for sale if their carrying amount will be settled principally through a sale rather than through continuing use and the following criteria are met:

- The business must be available for immediate sale in its present condition;
- Management is committed to the plan to sell the business and an active programme to locate a buyer and complete the plan must have been initiated;
- The disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- Shareholder and regulatory approval is highly probable and the plan is unlikely to be significantly changed or withdrawn; and
- Sale is expected to be completed within 12 months of the balance sheet date.

The assets and liabilities of businesses held for sale are presented as separate lines on the balance sheet.

Discontinued operations

A discontinued operation is either:

- A component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- A business acquired solely for the purpose of selling it.

Discontinued operations are presented on the income statement as a separate line and are shown net of tax.

ACCOUNTING POLICIES CONTINUED

In accordance with IAS 21, gains and losses on intra-group monetary assets and liabilities are not eliminated. Therefore foreign exchange rate movements on intercompany loans with discontinued operations are presented on the income statement as non-headline finance cost items.

Cash and cash equivalents

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

In the cash-flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet.

Financial assets

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates the designation at each reporting date. Financial assets are classified as: measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss.

Financial assets primarily include trade receivables, cash and cash equivalents (comprising cash at bank, money-market funds, and short-term deposits), short-term investments, derivatives (foreign exchange contracts and interest rate derivatives) and unlisted investments.

- Trade receivables are classified either as 'held to collect' and measured at amortised cost or as 'held to collect and sell' and measured at fair value through other comprehensive income (FVOCI). The Group may sell trade receivables due from certain customers before the due date. Any trade receivables from such customers that are not sold at the reporting date are classified as 'held to collect and sell'.
- Cash and cash equivalents (consisting of balances with banks and other financial institutions, money-market funds and short-term deposits) and short-term investments are subject to low market risk. Cash balances, short-term deposits and short-term investments are measured at amortised cost. Money market funds are measured at fair value through profit and loss (FVPL).
- Derivatives are measured at FVPL.
- Listed and unlisted investments are measured at FVOCI.
- Deferred contingent consideration are measured at FVPL.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

On initial recognition, the Group may make an irrevocable election to designate certain investments as FVOCI, if they are not held for trading or relate to contingent consideration on a business combination. When securities measured at FVOCI are sold or impaired, the accumulated fair value adjustments remain in reserves.

Financial assets are classified as current if they are expected to be realised within 12 months of the balance sheet date.

Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan and

added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposures to foreign exchange, interest rates and commodity prices arising from its operating and financing activities.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

Where derivative financial instruments are designated into hedging relationships, the Group formally documents the following:

- The risk management objective and strategy for entering the hedge;
- The nature of the risks being hedged and the economic relationship between the hedged item and the hedging instrument; and
- Whether the change in cash-flows of the hedged item and hedging instrument are expected to offset each other.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Fair value hedge

The Group uses derivative financial instruments to convert part of its fixed rate debt to floating rate in order to hedge the risks arising from its external borrowings.

The Group designates these as fair value hedges of interest rate risk. Changes in the hedging instrument are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk to the extent that the hedge is effective. Gains or losses relating to any ineffectiveness are immediately recognised in the income statement.

Cash-flow hedge

Cash-flow hedging is used by the Group to hedge certain exposures to variability in future cash-flows.

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve are recycled in the income statement in the periods when the hedged items will affect profit or loss (for example, when the forecast sale that is hedged takes place).

If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are transferred from the reserve and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge

ACCOUNTING POLICIES CONTINUED

accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash-flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to any ineffective portion is recognised immediately in the income statement. When a foreign operation is disposed of, gains and losses accumulated in equity related to that operation are included in the income statement for that period.

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

IFRS 13: 'Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – valuations in which all inputs are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.

See note 21 for information on the methods which the Group uses to estimate the fair values of its financial instruments.

Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

New accounting standards effective 2026

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the previous financial year.

Standards, interpretations and amendments that became effective in the current financial year have not had a material impact on the Consolidated Financial Statements.

New standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied any standards, interpretations or amendments that have been issued but are not yet effective.

The impact of IFRS 18 'Presentation and Disclosures in Financial Statements' is under assessment:

- IFRS 18 becomes effective for the financial year ending 31 July 2028, with comparatives restated.
- IFRS 18 will affect how the Group presents and discloses its financial performance; it will not impact the recognition or measurement of any items in the financial statements. The standard includes requirements for the aggregation and disaggregation of financial information based on the identified roles of the primary financial statements. Income and expenses will be classified into five categories on the face of the income statement: operating, investing, financing, taxation and discontinued operations. The Group's profit before tax will not change. Disclosures relating to 'management-defined performance measures', a subset of the Group's alternative performance measures (APMs), will be included in the audited notes to the financial statements.
- The Group has made progress in assessing the impact of IFRS 18 and during the next financial year the Group will implement finance system changes to enable reporting in accordance with IFRS 18. Until this work is completed, it is not practical to quantify the effects of IFRS 18.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the consolidated Group financial statements.

Parent Company

The ultimate Parent Company of the Group is Smiths Group plc, a company incorporated in England and Wales and listed on the London Stock Exchange.

The accounts of the Parent Company, Smiths Group plc, have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

The Company accounts are presented in separate financial statements on pages 173 to 180. The principal subsidiaries of the Parent Company are listed in the above accounts.

NOTES TO THE ACCOUNTS

1. Segment information

Analysis by operating segment

The Group is organised into two major business segments: John Crane and Flex-Tek. These business segments design, manufacture and support the following products:

- **John Crane** – mechanical seals, seal support systems, power transmission couplings and specialised filtration systems; and
- **Flex-Tek** – engineered components, flexible hosing and rigid tubing that heat and move fluids and gases.

The position and performance of each business segment are reported at each Board meeting to the Board of Directors. This information is prepared using the same accounting policies as the consolidated financial information except that the Group uses headline operating profit to monitor the segmental results and operating assets to monitor the segmental position. See note 3 and note 30 for an explanation of which items are excluded from headline measures.

The segmental information of the Smiths Interconnect, Smiths Detection and certain Flex-Tek general industrial discontinued operations is disclosed in note 28.

Intersegment sales and transfers are charged at arm's length prices.

Segment trading performance

	Year ended 31 July 2026			
	John Crane £m	Flex-Tek £m	Corporate costs £m	Total £m
Revenue	1,130	807	–	1,937
Segmental headline operating profit	270	170	–	440
Corporate headline operating costs	–	–	(41)	(41)
Headline operating profit/(loss)	270	170	(41)	399
Items excluded from headline measures (note 3)	4	(46)	(68)	(110)
Operating profit/(loss)	274	124	(109)	289
Headline operating margin	23.9%	21.0%		20.6%

Year ended 31 July 2025 – represented*

	John Crane £m	Flex-Tek £m	Corporate costs £m	Total £m
Revenue	1,115	783	–	1,898
Segmental headline operating profit	265	169	–	434
Corporate headline operating costs	–	–	(46)	(46)
Headline operating profit/(loss)	265	169	(46)	388
Items excluded from headline measures (note 3)	(1)	(27)	(13)	(41)
Operating profit/(loss)	264	142	(59)	347
Headline operating margin	23.8%	21.6%		20.5%

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Operating profit is stated after charging the following items:

Year ended 31 July 2026

	John Crane £m	Flex-Tek £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	12	8	2	22
Depreciation – right of use assets	15	7	1	23
Amortisation of software, patents & intellectual property	3	–	–	3
Amortisation of acquired intangibles	–	–	33	33
Restructuring costs	–	–	27	27
Share-based payment	3	2	14	19

Year ended 31 July 2025 – represented*

	John Crane £m	Flex-Tek £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	16	7	3	26
Depreciation – right of use assets	14	6	1	21
Amortisation of software, patents & intellectual property	4	–	1	5
Amortisation of acquired intangibles	–	–	30	30
Restructuring costs	–	–	16	16
Impairment – prior year working capital	–	–	15	15
Share-based payment	4	3	8	15

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

NOTES TO THE ACCOUNTS CONTINUED

The corporate and non-headline column comprises central information technology, human resources and headquarters costs and non-headline expenses (see note 3).

Segment assets and liabilities

Segment assets

	31 July 2026			
	John Crane £m	Flex-Tek £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, other intangibles and investments	211	104	6	321
Inventory, trade and other receivables	555	259	12	826
Segment assets	766	363	18	1,147

	31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, development costs, other intangibles and investments	185	113	132	11	441
Inventory, trade and other receivables	518	251	622	22	1,413
Segment assets	703	364	754	33	1,854

Non-headline assets comprise receivables relating to non-headline items, acquisitions & disposals.

Segment liabilities

	31 July 2026			
	John Crane £m	Flex-Tek £m	Corporate and non-headline £m	Total £m
Segmental liabilities	167	120	–	287
Corporate and non-headline liabilities	–	–	603	603
Segment liabilities	167	120	603	890

	31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Segmental liabilities	173	105	374	–	652
Corporate and non-headline liabilities	–	–	–	319	319
Segment liabilities	173	105	374	319	971

Non-headline liabilities comprise provisions and accruals relating to non-headline items, acquisitions & disposals.

Reconciliation of segment assets and liabilities to statutory assets and liabilities

	Assets		Liabilities	
	31 July 2026 £m	31 July 2025 £m	31 July 2026 £m	31 July 2025 £m
Segment assets and liabilities	1,147	1,854	(890)	(971)
Goodwill and acquired intangibles	612	1,192	–	–
Derivatives	21	17	(24)	(2)
Current and deferred tax	87	118	(58)	(109)
Retirement benefit assets and obligations	2	128	(50)	(96)
Cash and borrowings	2,956	195	(1,204)	(667)
Assets and liabilities held for sale	13	507	(7)	(106)
Statutory assets and liabilities	4,838	4,011	(2,233)	(1,951)

Segment capital expenditure

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for each business segment is:

	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Capital expenditure year ended 31 July 2026	30	9	–	–	39
Capital expenditure year ended 31 July 2025	41	13	13	–	67

Segment capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before August 1998 of £433m (FY2025: £478m) and eliminate retirement benefit assets and obligations and litigation provisions relating to non-headline items, both net of related tax, and net debt. See note 30 for a reconciliation of net assets to capital employed.

The 12-month rolling average capital employed by business segment, which Smiths uses to calculate segmental return on capital employed, is:

	31 July 2026		
	John Crane £m	Flex-Tek £m	Total £m
Average segmental capital employed – continuing operations	1,104	643	1,747
Average capital employed – assets held for sale			1,317
Average corporate capital employed			(50)
Average total capital employed – total Group			3,014

NOTES TO THE ACCOUNTS CONTINUED

	31 July 2025		
	John Crane £m	Flex-Tek £m	Total £m
Average segmental capital employed	1,051	594	1,645
Average capital employed – assets held for sale			1,621
Average corporate capital employed			(62)
Average total capital employed – total Group			3,204

The Smiths Interconnect and Smiths Detection divisions and certain Flex-Tek general industrial businesses are included as assets held for sale in the table above. Further details of the segmental asset and liabilities of the Smiths Interconnect division is disclosed in note 28.

Analysis of revenue

The revenue for the main product and service lines for each business segment is:

	Original equipment £m	Aftermarket £m	Total £m
John Crane			
Revenue year ended 31 July 2026	334	796	1,130
Revenue year ended 31 July 2025	322	793	1,115

	Aerospace £m	Construction £m	Thermal Solutions £m	Total £m
Flex-Tek				
Revenue year ended 31 July 2026	227	359	221	807
Revenue year ended 31 July 2025*	210	371	202	783

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of certain Flex-Tek general industrial businesses as discontinued operations. Following the classification of certain Flex-Tek general industrial businesses as discontinued operations, the Group has reviewed and reanalysed the Flex-Tek segmental revenue reporting by main product line. The driver of this reanalysis being to realign this analysis of segmental revenue with how management review the performance of the remaining Flex-Tek segment.

The impact of this reanalysis is that £678m of FY2025 revenue that had previously been reported as Industrials has been represented with £371m recognised as Construction, £202m recognised as Thermal Solutions, £51m recognised as Aerospace and £54m reclassified to discontinued operations.

Segmental revenue is analysed by the Smiths Group key global markets as follows:

	General Industrial £m	Energy £m	Aerospace & Defence £m	Total £m
John Crane revenue				
Revenue year ended 31 July 2026	418	712	–	1,130
Revenue year ended 31 July 2025	413	702	–	1,115

Flex-Tek revenue				
Revenue year ended 31 July 2026	580	–	227	807
Revenue year ended 31 July 2025*	573	–	210	783

Total revenue				
Revenue year ended 31 July 2026	998	712	227	1,937
Revenue year ended 31 July 2025*	986	702	210	1,898

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations. Following the classification of certain Flex-Tek general industrial businesses as discontinued operations, the Group has reviewed and reanalysed the Flex-Tek segmental revenue reporting by main key global market. The driver of this reanalysis being to realign this analysis of segmental revenue with how management review the performance of the remaining Flex-Tek segment.

The impact of this reanalysis is that £105m of FY2025 revenue that was previously reported in the general industrial key global market has been represented, with £51m disclosed in the Aerospace key global market and £54m reclassified to discontinued operations.

The Group's statutory revenue is analysed as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Sale of goods recognised at a point in time	1,564	1,539
Sale of goods recognised over time	7	10
Services recognised over time	366	349
	1,937	1,898

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

NOTES TO THE ACCOUNTS CONTINUED

Analysis by geographical areas

The Group's revenue by destination and non-current operating assets by location are shown below:

	Americas £m	Europe £m	Asia Pacific £m	Rest of World £m	Total £m
Revenue year ended 31 July 2026	1,225	293	250	169	1,937
Revenue year ended 31 July 2025*	1,180	277	260	181	1,898

31 July 2026 – non-current operating assets by geographical location:

Intangible assets	536	76	12	–	624
Property, plant and equipment	127	34	19	28	208
Right of use assets	60	19	6	10	95
Other receivables	60	15	1	2	78
Non-current operating assets	783	144	38	40	1,005

31 July 2025 – non-current operating assets by geographical location:

Intangible assets	794	476	14	–	1,284
Property, plant and equipment	140	61	23	20	244
Right of use assets	51	33	10	5	99
Other receivables	56	22	1	5	84
Non-current operating assets	1,041	592	48	30	1,711

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

The other receivables balance in the table above comprises current and non-current other receivables (see note 16) excluding financial instruments.

Revenue by destination attributable to the United Kingdom was £33m (FY2025: £35m). Other revenue found to be significant included, the United States of America, totalling £997m (FY2025: £960m), China (excluding Hong Kong) £96m (FY2025: £104m) and Canada £82m (FY2025: £81m). Revenue by destination has been selected as the basis for attributing revenue to geographical areas as this was the geographic attribution of revenue used by management to review business performance.

Non-current assets located in the United Kingdom total £79m (FY2025: £180m). Significant non-current assets held in the United States of America £646m (FY2025: £902m) and Germany £30m (FY2025: £370m).

2. Operating costs

The Group's operating costs for continuing operations are analysed as follows:

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Cost of sales – direct materials, labour, production and distribution overheads	1,129	–	1,129	1,097	–	1,097
Selling costs	159	–	159	150	–	150
Administrative expenses	250	110	360	263	41	304
Total	1,538	110	1,648	1,510	41	1,551

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Operating profit is stated after charging:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Research, development and customer-specific engineering expense	64	63
Depreciation of property, plant and equipment	22	26
Depreciation of right of use assets	23	22
Amortisation of intangible assets	36	34

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Research, development and customer-specific engineering (RD&E) cash costs were £64m (FY2025: £63m) comprising £64m (FY2025: £63m) of RD&E expensed to the income statement.

Administrative expenses include £2m (FY2025: £1m) in respect of lease payments for short-term and low-value leases which were not included within right of use assets and lease liabilities.

NOTES TO THE ACCOUNTS CONTINUED

Auditors' remuneration

The following fees were paid or are payable to the Company's auditors, KPMG LLP and other firms in the KPMG network, for the year ended 31 July 2026.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Audit services		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	2.4	2.9
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	2.4	3.5
	4.8	6.4
Audit related assurance services (i)	3.5	2.1
Other assurance services (ii)	0.2	0.2
Total fees	8.5	8.7

* The comparatives for the year to 31 July 2025 have been represented to include an additional £0.4m of fees related to scope changes on the FY2025 audit.

(i) Audit related assurance services includes £0.4m (FY2025: £0.4m) for review of interim report and £3.1m (FY2025: £1.7m) for services delivered in FY2026 related to the reporting accountant engagement for the historical financial information of the Group's Detection business, covering the three years ended 31 July 2025. This engagement was required to support the Company's legal and regulatory requirements associated with the proposed demerger. Accordingly, the related fees have been excluded from the calculation of non-audit services as a percentage of the audit fee. Following the termination of the demerger transaction, all services associated with the planned demerger have been terminated.

(ii) Other assurance services include £0.09m (FY2025: £0.1m) for limited assurance over the Group's Scope 1–3 greenhouse gas emissions metrics and £0.1m (FY2025: £0.1m) for services related to the issuance of the Euro Medium Term Note (EMTN) programme.

Total fees for non-audit services comprise 13% (FY2025: 10%) of audit fees, as noted above £3.1m (FY2025: £1.7m) of reporting accountant services have been excluded from the calculation of this ratio.

3. Non-statutory profit measures**Headline profit measures**

The Group has identified and defined a 'headline' measure of performance which is not impacted by material non-recurring items or items considered non-operational/trading in nature. This non-GAAP measure of profit is not intended to be a substitute for any IFRS measures of performance, but is a key measure used by management to understand and manage performance. See the disclosures on presentation of results in accounting policies for an explanation of the adjustments. The items excluded from 'headline' are referred to as 'non-headline' items.

Non-headline operating profit items**i. Continuing operations**

The non-headline items included in statutory operating profit for continuing operations were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Acquisition and disposal related costs			
Post-acquisition integration costs and fair value adjustment unwind		(3)	(4)
Fair value movement on contingent consideration		3	4
Loss on disposal of financial asset		–	(3)
Separation related expenses		(8)	–
Business acquisition costs and related expenses		(2)	(2)
Legacy pension scheme arrangements			
Scheme administration costs	8	(6)	(4)
Retirement benefit scheme settlement loss	8	(57)	–
Non-headline provision movements			
Provision held against Titeflex Corporation subrogation claims	23	(4)	5
Provision for John Crane, Inc. asbestos litigation	23	30	12
John Crane, Inc. asbestos litigation management expense		(1)	–
Cost recovery for John Crane, Inc. asbestos litigation		–	1
Other items			
Corporate restructuring costs		(27)	(16)
Cyber incident remediation costs		–	(4)
Amortisation of acquired intangible assets	10	(33)	(29)
Funding of charitable foundation		(2)	(1)
Non-headline items in operating profit – continuing operations		(110)	(41)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Acquisition and disposal related costs

The £3m (FY2025: £4m) of post-acquisition integration costs and fair value adjustment unwind principally relate to Flex-Tek's recent corporate acquisitions. These have been recognised as non-headline as the charge did not relate to trading activity.

The £3m current year fair value gain on contingent consideration is attributable to the revaluation of deferred contingent consideration payable on Flex-Tek's recent acquisitions. These are considered to be a non-headline item on the basis that these fair value charges do not relate to trading activity.

In FY2025 the £3m loss on disposal of financial asset related to the block sale discount on the disposal of the Group's remaining investment in ICU shares. This is considered a non-headline charge as it did not relate to trading activity.

NOTES TO THE ACCOUNTS CONTINUED

In the current year £8m (FY2025: £nil) of separation related expenses have been recognised in continuing operations for activities undertaken by the Group in relation to the strategic actions to divest the Smiths Interconnect and Smiths Detection businesses and right size the remaining Smiths Group operations. These costs have been reported as non-headline as they are non-recurring strategic project expenses and do not relate to trading activity.

The £2m (FY2025: £2m) of business acquisition costs and related expenses represent incremental deal costs related to the Group's business acquisition activity. These items do not include the cost of employees working on transactions and are reported as non-headline because they are dependent on the level of activity being undertaken and do not relate to trading activity.

Legacy pension scheme arrangements

Scheme administration costs of £6m (FY2025: £4m) relate to the TIGPS legacy pension scheme and SIPS 'path to buy-in' costs. These are non-headline charges as the Smiths Group effectively has no economic exposure to these costs and they are paid from cash retained in the scheme.

A £57m retirement benefit scheme settlement loss has been recognised in the current year (FY2025: £nil) following SIPS executing an insurance buy-in policy for its remaining uninsured liabilities (see note 8 for further details). This item is reported as non-headline as it is non-recurring and relates to legacy pension liabilities.

Non-headline provision movements

The following litigation costs and recoveries have been treated as non-headline items because the provisions were treated as non-headline when originally recognised and the subrogation claims and litigation relate to products that the Group no longer sells in these markets:

- The £4m expense (FY2025: £5m credit) recognised by Titeflex Corporation was principally driven by an increase in the number of expected claims. See note 23 for further details;
- The £30m credit (FY2025: £12m credit) in respect of John Crane, Inc. asbestos litigation is due to a reduction in the future expected indemnity costs. See note 23 for further details; and
- In FY2026 £1m of professional fees have been incurred litigation management, in FY2025 £1m of asbestos litigation costs were recovered by John Crane, Inc. via insurer settlements.

Other items

Corporate restructuring costs of £27m (FY2025: £16m) were incurred on the previously announced Group-wide Acceleration Plan. These costs are treated as non-headline due to being material and part of a pre-approved two year programme.

In the prior year the Group incurred a cyber security incident that involved unauthorised access to the Company's systems and £4m of remediation costs were incurred. These costs have been recognised as non-headline as this was a significant non-recurring event for the Group and did not relate to trading activity.

Acquisition related intangible asset amortisation costs of £33m (FY2025: £29m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

The £2m funding of charitable foundation charge is the FY2026 funding (FY2025: £1m) of the Smiths Group Foundation, a charitable giving foundation with a committed initial £10m of funding linked to engineering-related good causes. This is recognised as non-headline as the charge did not relate to

trading activity and has been funded by allocating a portion of disposal proceeds to the foundation on a regular basis.

Non-headline finance costs items

The non-headline items included in finance costs for continuing operations were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Unwind of discount on provisions	23	(8)	(9)
Unwind of discount on other payables		–	(1)
Other finance income – retirement benefits	8	5	4
Release of interest payment on overdue VAT		–	4
Other sundry financing losses		(5)	(1)
Non-headline items in finance costs – continuing operations		(8)	(3)
Continuing operations – non-headline loss before taxation		(118)	(44)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

The financing elements of non-headline legacy liabilities, including the £8m (FY2025: £9m) unwind of discount on provisions, were excluded from headline finance costs because these provisions were originally recognised as non-headline and this treatment has been maintained for ongoing costs and credits.

Other finance income comprises £5m (FY2025: £4m) of financing credits relating to retirement benefits. These were excluded from headline finance costs because the ongoing costs and credits are a legacy of previous employee pension arrangements.

Other sundry financing losses of £5m (FY2025: £1m) include £2m of losses on the hedging of non-sterling intercompany financing, £1m fair value hedge ineffectiveness on the two Eurobonds and £2m of other foreign exchange losses.

Non-headline taxation credit

The non-headline items included in taxation for continuing operations were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Tax credit on non-headline loss	6	17	12
Increase in unrecognised UK deferred tax asset	6	(16)	7
Non-headline taxation credit – continuing operations		1	19
Continuing operations – non-headline loss for the year		(117)	(25)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

NOTES TO THE ACCOUNTS CONTINUED

Movement in unrecognised UK deferred tax asset

These movements are reported as non-headline because the original credit was reported as non-headline.

ii. Discontinued operations

The non-headline items for discontinued operations, see note 28 for additional disclosures, were as follows:

Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Non-headline operating profit items		
Impairment loss on reclassification to held for sale	(11)	(30)
Interconnect separation related costs	–	(8)
Detection restructuring and separation related costs	(8)	(16)
Amortisation of acquisition related intangible assets	(6)	(23)
Impairment of prior year working capital balances	–	(15)
Environmental remediation provision	(5)	(2)
Non-headline finance costs items		
Other finance losses	(1)	(1)
Gain on sale of discontinued operations		
Gain on the sale of Smiths Interconnect to Molex Electronic Technologies Holdings, LLC	28 877	–
Gain on the sale of Smiths Detection to CVC Capital Partners	28 807	–
Gain on the sale of other discontinued operations	28 6	–
Non-headline taxation items		
Tax on non-headline loss	3	–
Non-headline items in profit – discontinued operations	1,662	(95)
Profit/(loss) for the year – non headline items for continuing and discontinued operations	1,545	(120)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

The carrying value of businesses held for sale have been impaired to their fair value less costs to sell. The £11m of impairment losses recognised in FY2026 relate to certain Flex-Tek's general industrial businesses, the £30m impairment loss recognised in FY2025 relates to Interconnect's US sub-systems business.

In FY2025 £8m of separation costs were incurred on the Smiths Interconnect sale. These costs have been reported as non-headline as they were both material and non-recurring.

Detection restructuring and separation costs amounted to £8m (FY2025: £16m); this represents the incremental costs incurred by the Group to sell/demerge the Smiths Detection business. These costs have been reported as non-headline as the total cost of the project is both material and non-recurring.

Acquisition related intangible asset amortisation costs of £6m (FY2025: £23m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

In FY2025, following a balance sheet investigation at a stand-alone Flex-Tek general industrial business, a £15m impairment charge was recognised. This was recognised as a non-headline item as the charge was a significant non-recurring item that related to multiple prior years.

The £5m (FY2025: £2m) environmental remediation provision relate to a site contamination within a Flex-Tek general industrial business. The provision was considered to be non-headline as it was due to a legacy site contamination, that arose prior to the Smiths Group ownership, and does not relate to current trading activity.

The £3m non-headline taxation credit (FY2025: £nil) comprises credits for the non-headline items above.

4. Net finance costs

Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Interest income	44	35
Interest expense:		
– bank loans and overdrafts, including associated fees	(48)	(44)
– other loans	(27)	(12)
– interest on leases	(6)	(5)
– interest on uncertain tax provisions	1	(1)
Interest expense	(80)	(62)
Headline net finance costs	(36)	(27)
Other financing (losses)/gains:		
– valuation movements on fair value hedged debt	22	(13)
– valuation movements on fair value derivatives	(23)	15
– foreign exchange and ineffectiveness on net investment hedges	(4)	(3)
– unwind of discount on provisions and other payables	3 (8)	(10)
Other non-headline financing losses	(13)	(11)
Other non-headline finance cost items:		
– release of interest payment on overdue VAT	–	4
– other finance income – Interest on retirement benefits	8 5	4
Other non-headline finance cost items	5	8
Net finance costs	(44)	(30)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

NOTES TO THE ACCOUNTS CONTINUED

5. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the Company by the average number of ordinary shares in issue during the year.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Profit attributable to equity shareholders for the year:		
– continuing	155	252
– discontinued	1,815	38
Total	1,970	290

	Year ended 31 July 2026 Number of shares	Year ended 31 July 2025 Number of shares
Number of shares in issue, net of shares held in Employee Benefit Trust:		
Weighted average number for basic earnings per share	313,252,549	338,390,299
Adjustment for potentially dilutive shares	1,307,740	1,576,039
Weighted average number for diluted earnings per share	314,560,289	339,966,338

Nil options (FY2025: nil) were excluded from this calculation because their effect was anti-dilutive.

	Year ended 31 July 2026 pence	Year ended 31 July 2025 represented* pence
Statutory earnings per share total – basic	628.8p	85.7p
Statutory earnings per share total – diluted	626.2p	85.3p
Statutory earnings per share continuing operations – basic	49.5p	74.5p
Statutory earnings per share continuing operations – diluted	49.3p	74.1p
Statutory earnings per share discontinued operations – basic	579.3p	11.2p
Statutory earnings per share discontinued operations – diluted	576.9p	11.2p

A reconciliation of statutory and headline earnings per share is as follows:

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	£m	Basic EPS (p)	Diluted EPS (p)	£m	Basic EPS (p)	Diluted EPS (p)
Total profit attributable to equity shareholders of the Parent Company	1,970	628.8p	626.2p	290	85.7p	85.3p
Exclude: Non-headline items (note 3)	[1,545]			120		
Headline earnings per share	425	135.7p	135.1p	410	121.2p	120.6p
Profit from continuing operations attributable to equity shareholders of the Parent Company	155	49.5p	49.3p	252	74.5p	74.1p
Exclude: Non-headline items (note 3)	117			25		
Headline earnings per share – continuing operations	272	86.8p	86.5p	277	81.9p	81.5p

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and Flex-Tek general industrial businesses as discontinued operations.

6. Taxation

This note only provides information about corporate income taxes under IFRS. Smiths companies operate in over 50 countries across the world. They pay and collect many different taxes in addition to corporate income taxes including: payroll taxes; value added and sales taxes; property taxes; product-specific taxes; and environmental taxes. The costs associated with these other taxes are included in profit before tax.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
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The taxation charge in the consolidated income statement for the year comprises:

Continuing operations		
Current taxation:		
– current income tax charge	81	78
– deferred taxation	7	(15)
Total taxation expense – continuing operations	88	63

Discontinued operations		
Current taxation:		
– current income tax charge	37	39
– deferred taxation	17	16
Total taxation expense – discontinued operations	54	55

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Analysed as:		
Headline taxation expense	146	137
Non-headline taxation credit	(4)	(19)
Total taxation expense in the consolidated income statement	142	118

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Tax on items credited to equity		
Deferred tax:		
– retirement benefit schemes	(14)	–
– share based payments	(2)	(1)
Total taxation on items credited to equity	(16)	(1)

NOTES TO THE ACCOUNTS CONTINUED

Current taxation liabilities

	Current tax £m
At 31 July 2024	(46)
Charge to income statement – continuing operations*	(78)
Charge to income statement – discontinued operations*	(39)
Tax paid	113
Transfer to held for sale	4
At 31 July 2025	(46)
Comprising:	
Current tax receivable	20
Current tax payable within one year	(66)
At 31 July 2025	(46)
Charge to income statement – continuing operations	(81)
Charge to income statement – discontinued operations	(37)
Tax paid	108
Transfer to held for sale	30
At 31 July 2026	(26)
Comprising:	
Current tax receivable	9
Current tax payable within one year	(35)
At 31 July 2026	(26)

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Total provisions for tax liabilities amount to £16m relating to current tax (FY2025: total £35m, current tax £30m). The majority of which relates to the risk of challenge from tax authorities to the geographic allocation of profits across the Group.

In addition to the risks provided for, the Group faces a variety of other tax risks, which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules, new and ongoing tax audits in the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group anticipates that a number of tax audits are likely to conclude in the next 12 to 24 months for which provisions are recognised based on best estimates and management's judgements concerning the ultimate outcome of the audit. Due to the uncertainty associated with such items, it is possible at a future date, on conclusion of open tax matters, the final outcome may vary significantly from the amounts noted above.

Reconciliation of the tax charge

The headline tax charge for the year of £89m (FY2025: £82m) represents an effective rate of 24.4% (FY2025: 22.7%).

The tax charge on the profit for the year for continuing operations is different from the standard rate of corporation tax in the UK, with a rate for FY2026 of 25.0% (FY2025: 25.0%). The differences are reconciled as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Profit before taxation	245	317
Notional taxation expense at UK corporate rate of 25.0% (FY2025: 25.0%)	61	79
Different tax rates on non-UK profits and losses	(4)	(8)
Non-deductible expenses and other charges	24	13
Tax credits and non-taxable income	(9)	(14)
Non-headline UK deferred tax asset recognition adjustment	16	(7)
Other adjustments to unrecognised deferred tax	–	(1)
Prior year true-up	–	1
Taxation on continuing operations	88	63
Taxation on discontinued operations	54	55
Total taxation expense in the consolidated income statement	142	118
Comprising:		
Taxation on headline profit	89	82
Non-headline taxation items:		
– Tax credit on non-headline loss	(17)	(12)
– UK deferred tax asset recognition adjustment	16	(7)
Taxation on non-headline items	(1)	(19)
Taxation on discontinued operations	54	55
Total taxation expense in the consolidated income statement	142	118

The table above reconciles the notional taxation charge calculated at the UK tax rate, to the actual total tax charge. As a group operating in multiple countries, the actual tax rates applicable to profits in those countries are different from the UK tax rate. The impact is shown above as different tax rates on non-UK profits and losses. The Group's worldwide business leads to the consideration of a number of important factors which may affect future tax charges, such as: the levels and mix of profitability in different jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms, acquisitions, disposals, restructuring activities, and settlements or agreements with tax authorities.

NOTES TO THE ACCOUNTS CONTINUED

Deferred taxation assets/(liabilities)

	Property, plant, equipment and intangible assets £m	Employment benefits £m	Losses carried forward £m	Provisions £m	Other £m	Total £m
At 31 July 2024	(79)	(12)	65	71	17	62
Reallocations	6	–	(4)	4	(6)	–
Charge to income statement – continuing operations	5	(1)	(3)	(6)	4	(1)
Credit to equity	–	1	–	–	–	1
Acquisitions in the year	(9)	–	–	–	–	(9)
Foreign exchange rate movements	1	–	(1)	(3)	–	(3)
Reclassified as held for sale	18	–	(9)	(2)	(2)	5
At 31 July 2025	(58)	(12)	48	64	13	55
Comprising:						
Deferred tax assets	(12)	(15)	28	60	37	98
Deferred tax liabilities	(46)	3	20	4	(24)	(43)
At 31 July 2025	(58)	(12)	48	64	13	55
Charge to income statement – continuing operations	1	11	(23)	(7)	11	(7)
Credit to equity	–	16	–	–	–	16
Foreign exchange rate movements	–	–	–	(1)	–	(1)
Reclassified as held for sale, subsequently disposed	28	(4)	(21)	(4)	(7)	(8)
At 31 July 2026	(29)	11	4	52	17	55
Comprising:						
Deferred tax assets	(20)	11	4	51	32	78
Deferred tax liabilities	(9)	–	–	1	(15)	(23)
At 31 July 2026	(29)	11	4	52	17	55

Of the amounts included within 'Other', shown in the above table, as at 31 July 2026, amounts relating to tax on unremitted earnings were £14m (FY2025: £22m). The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is immaterial.

The deferred tax asset relating to losses has been recognised on the basis of strong evidence of future taxable profits against which the unutilised tax losses can be relieved or it is probable that they will be recovered against the reversal of deferred tax liabilities. The closing net deferred tax asset balance attributable to UK activities and included in the balance at 31 July 2026 amounted to £nil (FY2025: £nil). Deferred tax attributable to provisions includes £37m (FY2025: £46m) relating to John Crane Inc litigation provision, and £7m (FY2025: £6m) relating to Titeflex Corporation. See note 23 for additional information on provisions.

Losses with unrecognised deferred tax

The Group does not recognise deferred tax on losses of £517m (FY2025: £572m).

The expiry date of operating losses carried forward is dependent upon the law of the various territories in which the losses arise. A summary of expiry dates in respect of which deferred tax has not been recognised is set out below:

	2026 £m	Expiry of losses	2025 £m	Expiry of losses
Unrestricted losses – operating losses	517	No expiry	572	No expiry

Tax losses for which no deferred tax asset is recognised decreased by £55m (FY2025: £31m decrease). The reduction was primarily driven by the disposal of the Smiths Detection and Smiths Interconnect businesses, which reduced unrecognised losses by £163m. This was partially offset by a £93m increase in unrecognised UK tax losses following the buy-in of the Smiths Industries Pension Scheme (SIPS). The buy-in resulted in the related pension deferred tax position changing from a deferred tax liability to a deferred tax asset, which has not been recognised.

Developments in the Group tax position

The Pillar Two (global minimum taxes legislation) charge borne by Smiths Group does not have a material impact on the Group's FY2026 ETR.



NOTES TO THE ACCOUNTS CONTINUED

7. Employees

	Year ended 31 July 2026			Year ended 31 July 2025 - represented*		
	Continuing Operations £m	Discontinued Operations £m	Total £m	Continuing Operations £m	Discontinued Operations £m	Total £m
Staff costs during the period						
Wages and salaries	491	313	804	486	379	865
Social security	66	38	104	63	43	106
Share-based payment (note 9)	19	5	24	17	4	21
Pension costs (including defined contribution schemes) (note 8)	24	13	37	22	13	35
Total	600	369	969	588	439	1,027

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

The average number of persons employed, including employees on permanent, fixed term and temporary contracts, rounded to the nearest 50 employees, was:

	Year ended 31 July 2026	Year ended 31 July 2025 represented*
John Crane	6,300	6,250
Flex-Tek	3,650	3,700
Corporate (including central/shared IT services)	350	350
Continuing operations	10,300	10,300
Smiths Detection	3,300	3,500
Smiths Interconnect	1,650	2,650
Flex-Tek General Industrial	400	500
Total	15,650	16,950

Key management

The key management of the Group comprises Smiths Group plc Board Directors and Executive Committee members. Their aggregate compensation is shown below. Further information for the Executive Directors is available in the single figure remuneration table on page 81. Further information for the Non-executive Directors is available in the single figure remuneration table on page 88.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Key management compensation		
Salaries and short-term employee benefits	12.2	16.3
Cost of retirement benefits	0.4	0.6
Cost of share-based incentive plans	10.1	9.4

No member of key management had any material interest during the period in a contract of significance (other than a service contract or a qualifying third-party indemnity provision) with the Company or any of its subsidiaries.

Options and awards held at the end of the period by key management in respect of the Company's share-based incentive plans were:

	Year ended 31 July 2026		Year ended 31 July 2025	
	Number of instruments '000	Weighted average exercise price	Number of instruments '000	Weighted average exercise price
LTIP	1,450		1,375	
SAYE	7	£15.00	10	£13.09

Related party transactions

The only related party transactions in FY2026 were key management compensation (FY2025: key management compensation).

8. Retirement benefits

The Group provides retirement benefits to employees in a number of countries. This includes defined benefit and defined contribution plans and, mainly in the United Kingdom (UK) and United States of America (US), post-retirement healthcare.

Defined contribution plans

The Group operates defined contribution plans across many countries. In the UK a defined contribution plan has been offered since the closure of the UK defined benefit pension plans. In the US a 401(k) defined contribution plan operates. The total expense recognised in the consolidated income statement in respect of all these plans was £35m (FY2025: £33m).

Defined benefit and post-retirement healthcare plans

The principal defined benefit pension plans are in the UK and in the US and these have been closed so that no future benefits are accrued.

For all schemes, pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. These valuations have been updated by independent qualified actuaries in order to assess the liabilities of the schemes as at 31 July 2026. Contributions to the schemes are made on the advice of the actuaries, in accordance with local funding requirements.

NOTES TO THE ACCOUNTS CONTINUED

The changes in the present value of the net pension asset in the period were:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
At beginning of period	32	29
Current service cost	(2)	(2)
Headline scheme administration costs	(2)	(2)
Non-headline scheme administration costs	(6)	(4)
Past service cost, curtailments, settlements	(57)	–
Finance income – retirement benefits – continuing operations	5	3
Finance income – retirement benefits – discontinued operations	(1)	–
Contributions by employer	15	11
Actuarial losses	(70)	(3)
Retirement benefit obligations extinguished on disposal	38	–
Net retirement benefit (liability)/asset	(48)	32

UK pension schemes

The Group's funded UK pension schemes are subject to a statutory funding objective, as set out in UK pension legislation. Scheme trustees need to obtain regular actuarial valuations to assess the scheme against this funding objective. The trustees and sponsoring companies need to agree funding plans to improve the position of a scheme when it is below the acceptable funding level.

The UK Pensions Regulator has extensive powers to protect the benefits of members, promote good administration and reduce the risk of situations arising which may require compensation to be paid from the Pension Protection Fund. These include imposing a schedule of contributions or the calculation of the technical provisions, where a trustee and company fail to agree appropriate calculations.

Smiths Industries Pension Scheme (SIPS)

This scheme was closed to future accrual effective 1 November 2009. SIPS provides index-linked (to applicable caps) pension benefits based on final earnings at date of closure. SIPS is governed by a corporate trustee (S.I. Pension Trustees Limited, a wholly owned subsidiary of Smiths Group plc). The board of trustee directors currently comprises three Company-nominated trustees and three member-nominated trustees, with an independent chairman selected by Smiths Group plc. Trustee directors are responsible for the management, administration, funding and investment strategy of the scheme.

In July 2026, the SIPS trustee completed a deal to secure its remaining uninsured pension liabilities by way of a bulk annuity buy-in with M&G. This means all of the scheme's liabilities are insured via five buy-in policies. The final buy-in has been secured with an intention to fully buyout the scheme as soon as reasonably practical. Consequently, the income statement recognises a settlement loss of £6m in relation to the buy-in. In terms agreed between the Group and the SIPS trustee prior to the transaction, when SIPS converts all of its buy-in policies to buy-out policies and subsequently winds-up, the Group expects the trustee to use a portion of any surplus remaining, after the costs of buying-out and winding-up the scheme have been met, to improve member benefits. A past service cost of £52m has been recognised for this in the income statement. A final decision on the

distribution of surplus will be taken at the appropriate time as part of the winding-up process and, as the Group does not have an unconditional right to a refund in this scenario, the Group has placed an economic benefit value of zero on the SIPS surplus from 1 July 2026.

As SIPS currently retains the legal obligation to pay all scheme benefits, SIPS liabilities remain part of the retirement benefit obligations on the balance sheet alongside the corresponding buy-in assets. These liabilities and assets will be de-recognised at the point the buy-in policies are converted to buy-outs and the legal obligation for payment of benefits is transferred to the relevant insurers.

The most recent actuarial valuation of this scheme has been performed using the Projected Unit Method as at 31 March 2023. The valuation showed a surplus of £26m on the Technical Provisions funding basis at the valuation date and the funding position has improved since then. As part of the valuation agreement, no contributions are currently being paid to SIPS and the Group's current expectation is that contributions will not recommence. The next actuarial valuation is due as at 31 March 2026.

The duration of SIPS liabilities is around 18 years (FY2025: 19 years) for active deferred members, 15 years (FY2025: 16 years) for deferred members and 8 years (FY2025: 9 years) for pensioners and dependants.

TI Group Pension Scheme (TIGPS)

This scheme was closed to future accrual effective 1 November 2009. TIGPS is governed by a corporate trustee (TI Pension Trustee Limited, an independent company). The board of trustee directors comprises three Company-nominated trustees and four member-nominated trustees, with an independent trustee director selected by the trustee.

In May 2026 the TIGPS trustee converted the existing buy-in policies to buy-out policies. The liabilities and corresponding assets of TIGPS of £778m have therefore been de-recognised from 11 May 2026, as the legal obligation for payment of benefits transferred to the relevant insurers from that date.

The most recent actuarial valuation of this scheme has been performed using the Projected Unit Method as at 5 April 2023. Given TIGPS's circumstances, the Group's current expectation is that no further contributions to TIGPS will be required. No further actuarial valuations are expected to be carried out and TIGPS is expected to be wound-up in FY2027, with any cash surplus remaining, after the costs of winding-up the scheme have been met, being returned to the Group. The Group currently has no expectation of receiving a refund from the scheme and has placed an economic benefit value of zero on the TIGPS surplus from 10 June 2022.

US pension plans

The valuations of the principal US pension and post-retirement healthcare plans were performed using census data at 1 January 2026.

The pension plans were closed with effect from 30 April 2009 and benefits were calculated as at that date and are not revalued. Governance of the US pension plans is overseen by a Settlor Committee appointed by Smiths Group Services Corp, a wholly owned subsidiary of the Group.

NOTES TO THE ACCOUNTS CONTINUED

The duration of the liabilities for the largest US plan is around 13 years (FY2025: 14 years) for active deferred members, 12 years (FY2025: 13 years) for deferred members and 9 years (FY2025: 9 years) for pensioners and dependants.

Risk management

In respect of uninsured liabilities, the pensions schemes are exposed to risks that:

- Investment returns are below expectations, leaving the schemes with insufficient assets in future to pay all their pension obligations;
- Members and dependants live longer than expected, increasing the value of the pensions which the schemes have to pay;
- Inflation rates are higher than expected, causing amounts payable under index-linked pensions to be higher than expected; and
- Increased contributions are required to meet funding targets if lower interest rates increase the current value of liabilities.

These risks are managed separately for each pension scheme. However, the Group has adopted a common approach of closing defined benefit schemes to cap members' entitlements and of supporting trustees in adopting investment strategies which aim to hedge the value of assets against changes in the value of liabilities caused by changes in interest and inflation rates.

TIGPS

The legal obligation for payment of TIGPS benefits transferred to the relevant insurers from 11 May 2026, eliminating all investment return, longevity, inflation and funding risks from that date.

SIPS

SIPS has covered roughly 100% of its current liabilities with matching annuities, eliminating investment return, longevity, inflation and funding risks in respect of those liabilities.

The critical estimates and principal assumptions used in updating the valuations are set out below:

	2026 UK	2026 US	2026 Other	2025 UK	2025 US	2025 Other
Rate of increase in salaries	n/a	n/a	1.8%	n/a	n/a	0.2%
Rate of increase for active deferred members	4.3%	n/a	n/a	4.1%	n/a	n/a
Rate of increase in pensions in payment	3.3%	n/a	1.6%	3.1%	n/a	1.8%
Rate of increase in deferred pensions	3.3%	n/a	n/a	3.1%	n/a	n/a
Discount rate	6.3%	5.9%	2.9%	5.6%	5.5%	2.6%
Inflation rate	3.3%	n/a	1.4%	3.1%	n/a	0.9%

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension plans are set by the Group after consultation with independent professionally qualified actuaries. The assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily occur in practice. For countries outside the UK and the US, assumptions are disclosed as a weighted average.

Inflation rate assumptions

The RPI inflation assumption of 3.3% has been derived as the cashflow-weighted breakeven inflation rate from LCP's Gilt Yield Curve, with an Inflation Risk Premium of 0.1% p.a. (FY2025: 0.1%). This is a change in approach from FY2025, where inflation was derived from Aon's Gilt Prices Only Yield Curve.

The Government's response to its consultation on RPI reform was published on 25 November 2020, and strongly implied that RPI will become aligned with CPI-H from 2030. No specific allowance (beyond anything already priced into markets) has been factored into the RPI assumptions for potential changes. The assumption for the long-term gap between RPI and CPI is 0.4% p.a. (FY2025: 0.4%) reflecting the Group's view on the market pricing of this gap over the lifetime of the UK schemes' liabilities, i.e., 0.9% p.a. (FY2025: 0.9%) pre-2030 and 0.1% p.a. post-2030 (FY2025: 0.1%).

Discount rate assumptions

The UK schemes use a discount rate based on the annualised yield on the LCP Accounting Curve and the expected cashflows for each scheme. This is a change in approach from FY2025, where the Aon GBP Single Agency Curve was adopted using notional cashflows.

The US plan uses a discount rate based on the annualised yield derived from Willis Towers Watson's RATE:Link (10th – 90th) model using the Plan's expected cashflows.

Mortality assumptions

The mortality assumptions used in the principal UK schemes are based on the 'SAPS S3' birth year tables with relevant scaling factors based on the recent experience of the schemes. The assumption allows for future improvements in life expectancy in line with the 2025 CMI projections, with a smoothing factor of 7.0 and 'A' parameter of 0.5% and blended to a long-term rate of 1.5%. The latest CMI projections incorporate allowance for the impact of COVID-19 through a new half-life parameter of 1.0, which allows for excess deaths due to the pandemic to halve year-on-year. In FY2025, allowance for the impact of COVID-19 was made by placing a weighting of 0% on 2020 and 2021 mortality data and a weighting of 15% on 2022 and 2023 mortality data.

The mortality assumptions used in the principal US plans are based on generational mortality using the latest Pri-2012 sex-distinct, employee/non-disabled annuitant table, with a 2012 base year, projected forward generationally with the latest MP-2021 mortality scale. No explicit adjustment has been made to mortality assumptions in respect of COVID-19. The impact of COVID-19 remains uncertain and further data studies are underway to better predict the impact on future mortality.

NOTES TO THE ACCOUNTS CONTINUED

Expected further years of life	UK schemes			
	Male 31 July 2026	Female 31 July 2026	Male 31 July 2025	Female 31 July 2025
Member who retires next year at age 65	23	25	22	24
Member, currently 45, when they retire in 20 years' time	24	26	23	25

Expected further years of life	US schemes			
	Male 31 July 2026	Female 31 July 2026	Male 31 July 2025	Female 31 July 2025
Member who retires next year at age 65	21	23	21	22
Member, currently 45, when they retire in 20 years' time	22	24	22	24

Sensitivity

Sensitivities in respect of the key assumptions used to measure the principal pension schemes as at 31 July 2026 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. In practice, such assumptions rarely change in isolation.

	Profit before tax for year ended 31 July 2026 £m	Increase/ (decrease) in scheme assets 31 July 2026 £m	(Increase)/ decrease in scheme liabilities 31 July 2026 £m	Profit before tax for year ended 31 July 2025 £m	Increase/ (decrease) in scheme assets 31 July 2025 £m	(Increase)/ decrease in scheme liabilities 31 July 2025 £m
Rate of mortality – one year increase in life expectancy	–	56	(62)	(2)	53	(90)
Rate of mortality – one year decrease in life expectancy	–	(56)	62	2	(55)	93
Rate of inflation – 0.25% increase	–	17	(17)	(1)	19	(37)
Discount rate – 0.25% increase	–	(24)	28	2	(28)	56
Market value of scheme assets – 2.5% increase	–	7	–	2	28	–

The effect on profit before tax reflects the impact of current service cost and net interest cost. The value of the scheme assets is affected by changes in mortality rates, inflation and discounting because they affect the carrying value of the insurance assets.

Asset valuation

The pension schemes hold assets in a variety of pooled funds, in which the underlying assets typically are invested in credit and cash assets. These funds are valued. The price of the funds is set by administrators/custodians employed by the investment managers and based on the value of the underlying assets held in the funds. Prices are generally updated daily, weekly or quarterly depending upon the frequency of the fund's dealing.

Bonds are valued using observable broker quotes. Gilt repurchase obligations are valued by the relevant manager, which derives the value using an industry recognised model with observable inputs.

Total return, interest and inflation swaps and forward FX contracts are bilateral agreements between counterparties and do not have observable market prices. These derivative contracts are valued using observable inputs.

Insured liabilities comprise annuity policies that match all or part of the scheme obligation to identified groups of members. These assets are valued by an external qualified actuary at the actuarial valuation of the corresponding liability, reflecting this matching relationship.

The insurance policies are treated as qualifying insurance policies as none of the insurers are related parties of the Group, and the proceeds of the policies can only be used to pay or fund employee benefits for the respective schemes, are not available to the Group's creditors and cannot be paid to the Group.

Retirement benefit plan assets

	31 July 2026 – £m			
	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	68	19	2	89
Pooled funds:				
– Pooled equity	–	22	8	30
– Pooled Diversified Growth	–	–	12	12
Corporate bonds	–	68	–	68
Government bonds/LDI	43	69	1	113
Insured liabilities	1,102	–	–	1,102
Total market value	1,213	178	23	1,414

	31 July 2025 – £m			
	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	30	20	1	51
Pooled funds:				
– Pooled equity	–	21	5	26
– Pooled Diversified Growth	–	–	13	13
– Pooled credit	340	–	–	340
Corporate bonds	131	50	–	181
Government bonds/LDI	436	89	3	528
Insured liabilities	1,199	–	–	1,199
Total market value	2,136	180	22	2,338

The UK Government bonds/LDI portfolios contain £43m (FY2025: £763m) of UK Government bonds (gilts), £nil (FY2025: £341m) of gilt repurchase obligations and £nil of interest and inflation swaps (FY2025: £15m) and forward FX contracts with a net obligation of £nil (FY2025: £1m). These assets

NOTES TO THE ACCOUNTS CONTINUED

were primarily held by SIPS to hedge against interest rate, inflation and foreign currency risks. Following the buy-in on 1 July 2026, these risks have been largely eliminated and so significant hedging assets are no longer required. The pooled funds and insured liabilities are unquoted. The scheme assets do not include any property occupied by, or other assets used by, the Group.

The asset valuations are effective as at the end of the period, consistent with the calculations determining the obligations.

The Group acknowledges that responsibility for the effective management of the schemes' assets lies primarily with the trustees, but also accepts that any risks inherent in the investment strategy, including ESG and climate risk, are ultimately underwritten by the Group. Consequently, the Group ensures that the trustees' investment strategy and statements of investment principles are compatible with the Group's wider sustainability strategy.

The legal obligation for payment of TIGPS benefits transferred to the relevant insurers from 11 May 2026, eliminating all investment risks, including ESG and climate risk, from that date.

For SIPS, where all benefits are now secured by way of annuity purchase, all investment risks including ESG and climate risk, have effectively now been eliminated.

Present value of funded scheme liabilities and assets for the main UK and US schemes

31 July 2026 – £m

	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities:			
– Active deferred members	(10)	–	(18)
– Deferred members	(333)	–	(67)
– Pensioners	(808)	–	(91)
Present value of funded scheme liabilities	(1,151)	–	(176)
Market value of scheme assets	1,210	3	178
Surplus restriction	(59)	(3)	–
Surplus/(deficit)	–	–	2

31 July 2025 – £m

	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities:			
– Active deferred members	(12)	(8)	(26)
– Deferred members	(332)	(260)	(71)
– Pensioners	(841)	(544)	(91)
Present value of funded scheme liabilities	(1,185)	(812)	(188)
Market value of scheme assets	1,313	823	180
Surplus restriction	–	(11)	–
Surplus/(deficit)	128	–	(8)

Net retirement benefit obligations

31 July 2026 – £m

	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	1,213	178	23	1,414
Present value of funded scheme liabilities	(1,151)	(176)	(29)	(1,356)
Surplus restriction	(62)	–	–	(62)
Surplus/(deficit)	–	2	(6)	(4)
Unfunded pension plans	(32)	(5)	(4)	(41)
Post-retirement healthcare	(3)	–	–	(3)
Present value of unfunded obligations	(35)	(5)	(4)	(44)
Net pension asset/(liability)	(35)	(3)	(10)	(48)
Comprising:				
Retirement benefit assets	–	2	–	2
Retirement benefit liabilities	(35)	(5)	(10)	(50)
Net pension asset/(liability)	(35)	(3)	(10)	(48)

31 July 2025 – £m

	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,136	180	22	2,338
Present value of funded scheme liabilities	(1,997)	(188)	(28)	(2,213)
Surplus restriction	(11)	–	–	(11)
Surplus/(deficit)	128	(8)	(6)	114
Unfunded pension plans	(33)	(5)	(41)	(79)
Post-retirement healthcare	(2)	(1)	–	(3)
Present value of unfunded obligations	(35)	(6)	(41)	(82)
Net pension asset/(liability)	93	(14)	(47)	32
Comprising:				
Retirement benefit assets	128	–	–	128
Retirement benefit liabilities	(35)	(14)	(47)	(96)
Net pension asset/(liability)	93	(14)	(47)	32

Where any individual scheme shows a recoverable surplus under IAS 19, this is disclosed on the balance sheet as a retirement benefit asset. The IAS 19 surplus of any one scheme is not available to fund the IAS 19 deficit of another scheme. The retirement benefit asset disclosed arises from the rights of the employers to recover the surplus at the end of the life of the scheme, i.e., when the last beneficiary's obligation has been met.

NOTES TO THE ACCOUNTS CONTINUED

Amounts recognised in the consolidated income statement

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Amounts charged to operating profit		
Current service cost	2	2
Past service cost, curtailments, settlements	57	–
Headline scheme administration costs	2	2
Non-headline scheme administration costs	6	4
	67	8
The operating cost is charged as follows:		
Headline administrative expenses	4	4
Non-headline administrative expenses	63	4
	67	8
Amounts credited to finance costs		
Non-headline other finance income – retirement benefits	(5)	(3)

Amounts recognised directly in the consolidated statement of comprehensive income

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Re-measurements of retirement defined benefit assets and liabilities		
Difference between interest credit and return on assets	(67)	(197)
Experience gains/(losses) on scheme liabilities	(24)	25
Actuarial gains arising from changes in demographic assumptions	(21)	–
Actuarial gains/(losses) arising from changes in financial assumptions	93	169
Movement in surplus restriction	(51)	–
	(70)	(3)

Changes in present value of funded scheme assets

	31 July 2026 – £m			
	UK schemes	US schemes	Other countries	Total
At beginning of period	2,136	180	22	2,338
Foreign exchange rate movements	–	(3)	–	(3)
Interest on assets	150	10	–	160
Actuarial movement on scheme assets	(110)	(3)	1	(112)
Employer contributions	–	10	–	10
Scheme administration costs	(8)	(1)	–	(9)
Assets distributed on settlements	(784)	–	–	(784)
Benefits paid	(171)	(15)	–	(186)
At end of period	1,213	178	23	1,414

31 July 2025 – £m

	UK schemes	US schemes	Other countries	Total
At beginning of period	2,372	190	21	2,583
Foreign exchange rate movements	–	(6)	–	(6)
Interest on assets	115	9	1	125
Actuarial movement on scheme assets	(192)	(6)	1	(197)
Employer contributions	–	5	–	5
Scheme administration costs	(5)	(1)	–	(6)
Benefits paid	(154)	(11)	(1)	(166)
At end of period	2,136	180	22	2,338

Changes in present value of funded defined benefit obligations

31 July 2026 – £m

	UK schemes	US schemes	Other countries	Total
At beginning of period	(1,997)	(188)	(28)	(2,213)
Foreign exchange rate movements	–	3	–	3
Past service costs	(51)	–	–	(51)
Interest on obligations	(141)	(10)	(2)	(153)
Actuarial movement on liabilities	89	4	(1)	92
Liabilities extinguished on settlements	778	–	–	778
Benefits paid	171	15	2	188
At end of period	(1,151)	(176)	(29)	(1,356)

31 July 2025 – £m

	UK schemes	US schemes	Other countries	Total
At beginning of period	(2,229)	(201)	(26)	(2,456)
Foreign exchange rate movements	–	6	–	6
Past service costs	–	–	–	–
Interest on obligations	(107)	(10)	(2)	(119)
Actuarial movement on liabilities	185	6	(1)	190
Benefits paid	154	11	1	166
At end of period	(1,997)	(188)	(28)	(2,213)

NOTES TO THE ACCOUNTS CONTINUED

Changes in present value of unfunded defined benefit pensions and post-retirement healthcare plans

	Assets		Obligations	
	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
At beginning of period	–	–	(82)	(87)
Current service cost	–	–	(2)	(2)
Interest on obligations	–	–	(3)	(3)
Actuarial movement	–	–	1	4
Employer contributions	4	6	–	–
Liabilities extinguished on disposal	–	–	38	–
Benefits paid	(4)	(6)	4	6
At end of period	–	–	(44)	(82)

The £38m of liabilities extinguished on disposal represent the retirement benefit obligations of the Smiths Interconnect and Smiths Detection businesses that were sold during the financial year. See note 28 for further information.

Changes in the effect of the asset ceiling over the year

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Irrecoverable asset at beginning of period	(11)	(11)
Actuarial movement on scheme assets	(51)	–
At end of period	(62)	(11)

Cash contributions

Company contributions to the defined benefit pension plans and post-retirement healthcare plans totalled £15m (FY2025: £11m). This comprised an additional £10m contribution to the US funded scheme (FY2025: £5m) and £5m (FY2025: £6m) on providing benefits under unfunded defined benefit pension and post-retirement healthcare plans.

In FY2027, cash contributions to the Group's schemes are expected to be up to £10m in total.

Recent legal rulings

In July 2024, the UK Court of Appeal upheld the High Court's June 2023 ruling in the Virgin Media v NTL Pension Trustees II court case relating to section 37 of the Pension Schemes Act 1993 and amendments to benefits for contracted-out defined benefit schemes, such as SIPS and TIGPS. The ruling confirmed the need for an actuarial confirmation where such schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any amendments were void without the appropriate confirmation. The Government introduced new legislation in the Pensions Act 2026 that gives affected pension schemes the ability to retrospectively obtain any necessary actuarial confirmations that historic benefit changes met the applicable standards. The Group does not expect this ruling to have any impact on its defined benefit obligations and SIPS will continue to be administered on the current basis.

9. Employee share schemes

The Group operates share schemes and plans for the benefit of employees. The nature of the principal schemes and plans, including general conditions, is set out below:

Long-Term Incentive Plan (LTIP)

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

LTIP performance conditions

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

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

Restricted stock

Restricted stock is used by the Remuneration & People Committee, as a part of recruitment strategy, to make awards in recognition of incentive arrangements forfeited on leaving a previous employer and for retention purposes. If an award is considered appropriate, the award will take account of relevant factors including the fair value of awards forfeited, any performance conditions attached, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Save as you earn (SAYE)

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

NOTES TO THE ACCOUNTS CONTINUED

Ordinary shares under option/ award ('000)	Long-term incentive plans	Restricted stock	Save as you earn scheme	Total	Weighted average exercise price
31 July 2024	4,389	114	685	5,188	£1.62
Granted	1,909	132	184	2,225	£1.06
Exercised	(968)	(52)	(100)	(1,120)	£1.03
Lapsed	(759)	–	(38)	(797)	£0.61
31 July 2025	4,571	194	731	5,496	£1.65
Granted	1,639	53	90	1,782	£1.08
Exercised	(1,780)	(32)	(135)	(1,947)	£0.78
Lapsed	(1,208)	(18)	(51)	(1,277)	£0.56
31 July 2026	3,222	197	635	4,054	£2.15

Options and awards were exercised on an irregular basis during the period. The average closing share price over the financial year was 2,472p (FY2025: 1,900p). There has been no change to the effective option price of any of the outstanding options during the period. The number of exercisable share options at 31 July 2026 was nil (31 July 2025: nil).

Range of exercise prices	Total shares under options/awards at 31 July 2026 ('000)	Weighted average remaining contractual life at 31 July 2026 (months)	Total shares under options/awards at 31 July 2025 ('000)	Weighted average remaining contractual life at 31 July 2025 (months)
£0.00 – £2.00	3,419	16	4,765	17
£6.01 – £10.00	–	–	–	–
£10.01 – £12.00	635	21	731	26

For the purposes of valuing options to arrive at the share-based payment charge, the binomial option pricing model has been used. The key assumptions used in the model were volatility of 25% to 20% (FY2025: 25% to 20%) and dividend yield of 1.9% (FY2025: 2.3%), based on historical data, for the period corresponding with the vesting period of the option. These generated a weighted average fair value for LTIP of £18.98 (FY2025: £15.66), and restricted stock of £13.75 (FY2025: £11.34).

Staff costs included £24m (FY2025: £22m) for share-based payments, of which £24m (FY2025: £21m) related to equity-settled share-based payments. The amounts recognised in the consolidated statement of changes in equity for the period were £26m (FY2025: £22m), inclusive of deferred tax.

10. Intangible assets

	Goodwill £m	Development costs £m	Acquired intangibles (see table below) £m	Software, patents and intellectual property £m	Total £m
Cost					
At 31 July 2024	1,276	205	645	162	2,288
Foreign exchange rate movements	(16)	–	(17)	(2)	(35)
Business combinations	77	–	59	–	136
Additions	–	5	–	3	8
Disposals	–	–	–	(5)	(5)
Reclassified to assets held for sale	(282)	–	(98)	(24)	(404)
At 31 July 2025	1,055	210	589	134	1,988
Foreign exchange rate movements	(9)	(1)	(9)	(1)	(20)
Business combinations	38	–	109	–	147
Additions	–	–	–	3	3
Disposals	–	–	(7)	(3)	(10)
Reclassified to assets held for sale subsequently disposed	(667)	(209)	(232)	(51)	(1,159)
At 31 July 2026	417	–	450	82	949
Amortisation and impairments					
At 31 July 2024	64	124	453	126	767
Foreign exchange rate movements	–	–	(10)	(1)	(11)
Amortisation charge for the year	–	10	52	15	77
Impairment charge for the year	–	–	–	1	1
Disposals	–	–	–	(4)	(4)
Reclassified to assets held for sale	(25)	–	(82)	(19)	(126)
At 31 July 2025	39	134	413	118	704
Foreign exchange rate movements	–	(1)	(4)	(1)	(6)
Amortisation charge for the year	–	4	39	3	46
Disposals	–	–	(7)	(2)	(9)
Reclassified to assets held for sale subsequently disposed	(39)	(137)	(186)	(48)	(410)
At 31 July 2026	–	–	255	70	325
Net book value at 31 July 2026	417	–	195	12	624
Net book value at 31 July 2025	1,016	76	176	16	1,284
Net book value at 31 July 2024	1,212	81	192	36	1,521

The charge associated with the amortisation of intangible assets is included in operating costs on the consolidated income statement.

NOTES TO THE ACCOUNTS CONTINUED

In addition to goodwill, acquired intangible assets comprise:

	Patents, licences and trademarks £m	Technology £m	Customer relationships £m	Total acquired intangibles £m
Cost				
At 31 July 2024	23	145	477	645
Foreign exchange rate movements	(1)	(4)	(12)	(17)
Business combinations	12	–	47	59
Reclassified to assets held for sale	(3)	(39)	(56)	(98)
At 31 July 2025	31	102	456	589
Foreign exchange rate movements	(1)	–	(8)	(9)
Business combinations	14	–	95	109
Disposals	–	(2)	(5)	(7)
Reclassified to assets held for sale subsequently disposed	(1)	(99)	(132)	(232)
At 31 July 2026	43	1	406	450
Amortisation				
At 31 July 2024	11	102	340	453
Foreign exchange rate movements	–	(3)	(7)	(10)
Charge for the year	4	11	37	52
Reclassified to assets held for sale	(3)	(33)	(46)	(82)
At July 2025	12	77	324	413
Foreign exchange rate movements	–	–	(4)	(4)
Charge for the year	4	3	32	39
Disposals	–	(2)	(5)	(7)
Reclassified to assets held for sale subsequently disposed	(1)	(77)	(108)	(186)
At July 2026	15	1	239	255
Net book value at 31 July 2026	28	–	167	195
Net book value at 31 July 2025	19	25	132	176
Net book value at 31 July 2024	12	43	137	192

Individually material intangible assets comprise:

- £24m of customer-related intangibles attributable to Heating & Cooling Products (remaining amortisation period: 8 years); and
- £91m of customer-related intangibles attributable to DRC Heat Transfer (DRC) (remaining amortisation period: 15 years).

11. Impairment testing

Goodwill

Goodwill is tested for impairment at least annually or whenever there is an indication that the carrying value may not be recoverable. Further details of the impairment review process and judgements are included in the 'Sources of estimation uncertainty' section of the 'Basis of preparation' for the consolidated financial statements.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash-flows, known as cash generating units (CGUs), taking into consideration the commonality of reporting, policies, leadership and intra-segmental trading relationships. Goodwill acquired through business combinations is allocated to groups of CGUs at a segmental (or operating segment) level, being the lowest level at which management monitors performance separately.

The carrying value of goodwill at 31 July is allocated by business segment as follows:

	2026 £m	2026 Number of CGUs	2025 £m	2025 Number of CGUs
John Crane	129	1	130	1
Flex-Tek	288	1	263	1
Smiths Detection	–	–	623	1
Smiths Interconnect	–	–	–	1
	417	2	1,016	4

Critical estimates used in impairment testing

The recoverable amount for impairment testing is determined from the higher of fair value less costs of disposal and value in use of the CGU. In assessing value in use, the estimated future cash-flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money, from which pre-tax discount rates are determined.

Fair value less costs of disposal is calculated using available information on past and expected future profitability, valuation multiples for comparable quoted companies and similar transactions (adjusted as required for significant differences) and information on costs of similar transactions. Fair value less costs to sell models are used when trading projections in the strategic plan cannot be adjusted to eliminate the impact of a major restructuring.

The value in use of CGUs is calculated as the net present value of the projected risk-adjusted cash-flows of each CGU. These cash-flow forecasts are based on the FY2026 business plan and the five-year detailed segmental strategic plan projections which have been prepared by segmental management and approved by the Board.

The principal assumptions used in determining the value in use were:

- Revenue: Projected sales were built up with reference to markets and product categories. They incorporated past performance, historical growth rates and projections of developments in key markets;

NOTES TO THE ACCOUNTS CONTINUED

- Average earnings before interest and tax margin: Projected margins reflect historical performance, our expectations for future cost inflation and the impact of all completed projects to improve operational efficiency and leverage scale. The projections did not include the impact of future restructuring projects to which the Group was not yet committed;
- Projected capital expenditure: The cash-flow forecasts for capital expenditure were based on past experience and included committed ongoing capital expenditure consistent with the FY2027 budget and the segmental strategic projections. The forecasts exclude future capital expenditure that improves the operation in excess of its current standard of performance;
- Discount rate: The discount rates have been determined with reference to illustrative weighted average cost of capital (WACC) for each CGU. In determining these discount rates, management have considered systematic risks specific to each of the Group's CGUs and have validated rates against the Group's WACC, the WACCs of the CGU's peer group and an average of discount rates used by other companies for the industries in which Smiths divisions operate. Pre-tax rates of 14.0% to 15.4% (FY2025: 12.2% to 13.6%) have been used for the impairment testing; and
- Long-term growth rates: For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity was applied immediately at the end of the five-year detailed forecast period. CGU specific long-term growth rates have been calculated by revenue weighting the long-term GDP growth rates of the markets that each CGU operates in. The long-term growth rates used in the testing ranged from 2.0% to 2.5% (FY2025: 2.1% to 2.6%). These rates do not reflect the long-term assumptions used by the Group for investment planning.

Of the principal assumptions above, the key assumptions that the impairment models are most sensitive to are: the revenue growth assumption; the average earnings before interest and tax margin assumption; and the discount rate assumption.

The assumptions used in the impairment testing of CGUs with significant goodwill balances were as follows:

As at 31 May 2026		
	John Crane	Flex-Tek
Net book value of goodwill (£m)	129	288
Basis of valuation	Value in use	Value in use
Discount rate – pre-tax	14.0%	15.4%
– post-tax	11.0%	12.0%
Period covered by management projections	5 years	5 years
Capital expenditure – annual average over projection period (£m)	28	10
Revenue – compound annual growth rate (CAGR) over projection period	6.0%	3.1%
Average earnings before interest and tax margin	24.9%	21.6%
Long-term growth rates	2.5%	2.0%

As at 31 May 2025

	John Crane	Flex-Tek	Smiths Detection	Smiths Interconnect
Net book value of goodwill (£m)	128	255	610	252
Basis of valuation	Value in use	Value in use	Value in use	Value in use
Discount rate – pre-tax	11.8%	13.6%	12.8%	12.7%
– post-tax	9.4%	10.7%	9.7%	10.3%
Period covered by management projections	5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)	29	11	14	11
Revenue – CAGR over projection period	6.4%	3.5%	4.6%	6.2%
Average earnings before interest and tax margin	25.7%	21.4%	13.3%	21.1%
Long-term growth rates	2.6%	2.1%	2.1%	2.3%

Forecast earnings before interest and tax have been projected using:

- Expected future sales based on the strategic plan, which was constructed at a market level with input from key account managers, product line managers, business development and sales teams. An assessment of the market and existing contracts/programmes was made to produce the sales forecast; and
- Current cost structure and production capacity, which include our expectations for future cost inflation. The projections did not include the impact of future restructuring projects to which the Group was not yet committed.

The forecast model on which the value in use is based on is underpinned by various granular assumptions on operating cash flows, which collectively roll up to the projected EBIT over the forecast period. We consider that each of these granular assumptions do not give rise to significant estimation uncertainty that would result in a material change to the outcome of the impairment test of any of CGUs.

All of the Group's CGUs have significant impairment headroom for both FY2026 and FY2025. There are no CGUs sensitive to impairment, the recoverable amount of all CGUs exceeded their carrying value, on the basis of the assumptions set out in the table above and any reasonably possible changes thereof.

Property, plant and equipment, right of use assets and finite-life intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant, equipment, right of use assets and finite-life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The Group has no indefinite life intangible assets other than goodwill. During the year, impairment tests were carried out for capitalised development costs that have not yet started to be amortised and acquired intangibles where there were indications of impairment. Value in use calculations were used to determine the recoverable values of these assets.

NOTES TO THE ACCOUNTS CONTINUED

12. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 31 July 2024	181	496	114	791
Foreign exchange rate movements	(3)	(8)	–	(11)
Business combinations	–	5	–	5
Additions	6	60	6	72
Disposals	(5)	(22)	(7)	(34)
Reclassified to assets held for sale	(8)	(101)	(26)	(135)
At 31 July 2025	171	430	87	688
Foreign exchange rate movements	(2)	(1)	(1)	(4)
Business combinations	1	5	–	6
Additions	12	36	7	55
Disposals	(7)	(30)	(2)	(39)
Reclassified to assets held for sale subsequently disposed	(44)	(81)	(34)	(159)
Reclassified to assets held for sale	–	(10)	–	(10)
At 31 July 2026	131	349	57	537
Depreciation				
At 31 July 2024	113	314	94	521
Foreign exchange rate movements	(2)	(5)	–	(7)
Charge for the year	9	31	5	45
Disposals	(4)	(21)	(7)	(32)
Impairment charge for the year	3	6	1	10
Reclassified to assets held for sale	(8)	(63)	(22)	(93)
At July 2025	111	262	71	444
Foreign exchange rate movements	(1)	(1)	(1)	(3)
Charge for the year	5	18	3	26
Disposals	(6)	(23)	(3)	(32)
Impairment charge for the year	–	3	–	3
Reclassified to assets held for sale subsequently disposed	(25)	(51)	(26)	(102)
Reclassified to assets held for sale	–	(7)	–	(7)
At 31 July 2026	84	201	44	329
Net book value at 31 July 2026	47	148	13	208
Net book value at 31 July 2025	60	168	16	244
Net book value at 31 July 2024	68	182	20	270

13. Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
Cost or valuation				
At 31 July 2024	212	36	2	250
Foreign exchange rate movements	(5)	–	–	(5)
Business combinations	6	–	–	6
Recognition of right of use asset	23	5	–	28
Derecognition of right of use asset	(42)	(18)	(1)	(61)
Reclassified to assets held for sale	(23)	–	–	(23)
At 31 July 2025	171	23	1	195
Foreign exchange rate movements	(1)	–	–	(1)
Business combinations	5	–	–	5
Recognition of right of use asset	48	4	–	52
Derecognition of right of use asset	(11)	(5)	–	(16)
Reclassified to assets held for sale subsequently disposed	(44)	(6)	–	(50)
Reclassified to assets held for sale	(6)	–	–	(6)
At 31 July 2026	162	16	1	179
Depreciation				
At 31 July 2024	116	23	1	140
Foreign exchange rate movements	(2)	–	–	(2)
Charge for the year	28	6	–	34
Derecognition of right of use asset	(42)	(18)	(1)	(61)
Impairment charge for the year	2	–	–	2
Reclassified to assets held for sale	(17)	–	–	(17)
At 31 July 2025	85	11	–	96
Foreign exchange rate movements	(1)	–	–	(1)
Charge for the year	22	5	–	27
Derecognition of right of use asset	(11)	(5)	–	(16)
Impairment charge for the year	1	–	–	1
Reclassified to assets held for sale subsequently disposed	(17)	(2)	–	(19)
Reclassified to assets held for sale	(4)	–	–	(4)
At 31 July 2026	75	9	–	84
Net book value at 31 July 2026	87	7	1	95
Net book value at 31 July 2025	86	12	1	99
Net book value at 31 July 2024	96	13	1	110

NOTES TO THE ACCOUNTS CONTINUED

14. Financial assets – other investments

	Investment in ICU Medical, Inc equity £m	Investments in early stage businesses £m	Cash collateral deposit £m	Total £m
Cost or valuation				
At 31 July 2024	47	5	1	53
Fair value change through other comprehensive income	8	–	–	8
Disposals	(55)	–	–	(55)
At 31 July 2025	–	5	1	6
Additions	–	–	1	1
Reclassified as held for sale, subsequently disposed	–	(1)	–	(1)
At 31 July 2026	–	4	2	6

The Group's investments in early-stage businesses are in businesses that are developing or commercialising related technology.

Cash collateral deposits represent amounts held on deposit with banks as security for liabilities or letters of credit or margin calls related to commodity hedging.

15. Inventories

	31 July 2026 £m	31 July 2025 £m
Raw materials and consumables	75	133
Work in progress	45	140
Finished goods	164	313
Total inventories	284	586

In FY2026, operating costs included £716m (FY2025: £1,470m) of inventory consumed, £6m (FY2025: £16m) was charged for the write-down of inventory and £4m (FY2025: £7m) was released from provisions no longer required.

Inventory provisioning

	31 July 2026 £m	31 July 2025 £m
Gross inventory carried at full value	278	505
Gross value of inventory partly or fully provided for	28	138
	306	643
Inventory provision	(22)	(57)
Inventory after provisions	284	586

16. Trade and other receivables

	31 July 2026 £m	31 July 2025 £m
Non-current		
Trade receivables	–	3
Contract assets	77	82
Other receivables	1	5
	78	90
Current		
Trade receivables	382	504
Prepayments	28	36
Contract assets	22	114
Other receivables	32	83
	464	737

Trade receivables do not carry interest. Management considers that the carrying value of trade and other receivables approximates to the fair value. Trade and other receivables, including accrued income and other receivables qualifying as financial instruments, are accounted for at amortised cost. The maximum credit exposure arising from these financial assets was £493m (FY2025: £727m).

Contract assets relate to Buyback Stock balances for John Crane's Performance Plus modular service framework contracts, where John Crane take responsibility for the maintenance of all the seals at the customer site. The main movements in the year arose from the disposal of Smiths Detection and an increase in contract asset balances of £5m (FY2025: £5m) principally within John Crane.

A number of Flex-Tek's customers provide supplier finance schemes which allow their suppliers to sell trade receivables, without recourse, to banks. This is commonly known as invoice discounting or factoring. During FY2026 the Group collected £124m of receivables through these schemes (FY2025: £70m). The impact of invoice discounting on the FY2026 balance sheet was that trade receivables were reduced by £33m (FY2025: £18m). Costs of discounting were £1m (FY2025: £1m), charged to the income statement within financing costs. The cash received via these schemes was classified as an operating cash inflow as it had arisen from operating activities.

Trade receivables are disclosed net of provisions for expected credit loss, with historical write-offs used as a basis, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and a default risk multiplier applied to reflect country risk premium. Credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third-party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. No single customer represented more than 10% of Group or divisional revenue.

NOTES TO THE ACCOUNTS CONTINUED

Ageing of trade receivables

	31 July 2026 £m	31 July 2025 £m
Trade receivables which are not yet due	288	388
Trade receivables which are between 1-30 days overdue	41	49
Trade receivables which are between 31-60 days overdue	19	22
Trade receivables which are between 61-90 days overdue	10	13
Trade receivables which are between 91-120 days overdue	5	6
Trade receivables which are more than 120 days overdue	26	44
	389	522
Expected credit loss allowance provision	(7)	(15)
Trade receivables	382	507

Movement in expected credit loss allowance

	31 July 2026 £m	31 July 2025 £m
Brought forward loss allowance at the start of the period	15	29
Increase in allowance recognised in the income statement	7	8
Amounts written off or recovered during the year	(14)	(19)
Amounts reclassified to discontinued operations	(1)	(3)
Carried forward loss allowance at the end of the year	7	15

17. Trade and other payables

	31 July 2026 £m	31 July 2025 £m
Non-current		
Other payables	10	12
Contract liabilities	–	26
	10	38
Current		
Trade payables	159	229
Other payables	370	46
Other taxation and social security costs	16	27
Accruals	116	222
Contract liabilities	14	155
	675	679

Trade and other payables, including accrued expenses and other payables qualifying as financial instruments, are accounted for at amortised cost and are categorised as 'Trade and other financial payables' in note 21.

Other payables at 31 July 2026 includes a £278m (FY2025: £nil) financial liability in respect of a non-cancellable share buy back commitment and a £41m (FY2025: £nil) financial liability for shares purchased before the year end but have not yet been settled or cancelled, see note 24 for further details.

Contract liabilities comprise deferred income balances of £15m (FY2025: £181m) in respect of payments being made in advance of revenue recognition. The movement in the year arises primarily from the reclassification of the Smiths Detection business as held for sale, which was subsequently disposed of during the financial year.

NOTES TO THE ACCOUNTS CONTINUED

18. Borrowings and net cash/(debt)

This note sets out the calculation of net cash/(debt), an important measure in explaining our financing position. Net cash/(debt) includes accrued interest and fair value adjustments relating to hedge accounting.

	31 July 2026 £m	31 July 2025 £m
Cash and cash equivalents		
Net cash and deposits	2,956	195
Short-term borrowings		
€650m 2.00% Eurobond 2027	(554)	–
Lease liabilities	(24)	(29)
Interest accrual	(9)	(3)
	(587)	(32)
Long-term borrowings		
€650m 2.00% Eurobond 2027	–	(556)
€650m 3.625% Eurobond 2033	(537)	–
Lease liabilities	(80)	(79)
	(617)	(635)
Borrowings/gross debt	(1,204)	(667)
Derivatives managing interest rate risk and currency profile of the debt	(5)	10
Net cash/(debt) (excludes £2m of net debt in discontinued operations, FY2025: excludes £21m of net cash)	1,747	(462)

Net cash for the total Group (including £2m of net debt held in discontinued operations) is £1,745m (FY2025: £441m net debt).

Analysis of financial derivatives on balance sheet

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net balance £m
Derivatives managing interest rate risk and currency profile of the debt	–	17	–	(22)	(5)
Foreign exchange forward contracts	–	3	(2)	–	1
Commodity derivatives	–	1	–	–	1
At 31 July 2026	–	21	(2)	(22)	(3)
Derivatives managing interest rate risk and currency profile of the debt	10	–	–	–	10
Foreign exchange forward contracts	–	7	(2)	–	5
At 31 July 2025	10	7	(2)	–	15

Cash and cash equivalents

	31 July 2026 £m	31 July 2025 £m
Cash at bank and in hand	100	102
Short-term deposits	2,856	93
Cash and cash equivalents	2,956	195

Cash and cash equivalents include highly liquid investments with maturities of three months or less. Borrowings are accounted for at amortised cost and are categorised as other financial liabilities. See note 19 for a maturity analysis of borrowings. Interest of £27m (FY2025: £12m) was charged to the consolidated income statement in the period in respect of public bonds.

Movements in assets/(liabilities) arising from financing activities

	Changes in net debt				Changes in other financing items: FX contracts		Total liabilities from financing activities
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	£m	£m
At 31 July 2025	195	(32)	(635)	10	(462)	5	(457)
Foreign exchange gains/(losses)	(11)	(2)	2	–	(11)	–	(11)
Net cash inflow from total Group	2,741	–	–	–	2,741	–	2,741
Movement in net debt items held in disposal group	31	(4)	(8)	–	19	–	19
Lease payments	–	41	–	–	41	–	41
Disposal of lease liabilities	–	20	20	–	40	–	40
Interest paid	–	65	–	–	65	–	65
Interest expense	–	(80)	–	–	(80)	–	(80)
Cash inflow from matured derivative contracts	–	–	–	–	–	(4)	(4)
Changes due to Proceeds from debt	–	–	(565)	–	(565)	–	(565)
Fair value movements	–	2	28	(15)	15	(6)	9
Lease liabilities acquired	–	(4)	–	–	(4)	–	(4)
Net movement from new leases and modifications	–	(52)	–	–	(52)	–	(52)
Reclassifications	–	(541)	541	–	–	–	–
At 31 July 2026	2,956	(587)	(617)	(5)	1,747	(5)	1,742

NOTES TO THE ACCOUNTS CONTINUED

	Changes in net debt						
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
At 31 July 2024	459	(34)	(625)	(13)	(213)	–	(213)
Foreign exchange gains/(losses)	(12)	1	(11)	–	(22)	–	(22)
Net cash inflow from total Group	(221)	–	–	–	(221)	–	(221)
Reclassified to asset/liability held for sale	(31)	2	8	–	(21)	–	(21)
Lease payments	–	41	–	–	41	–	41
Interest paid	–	63	–	–	63	–	63
Interest expense	–	(71)	–	–	(71)	–	(71)
Cash inflow from matured derivative contracts	–	–	–	–	–	2	2
Fair value movements	–	–	(7)	23	16	3	19
Lease liabilities acquired	–	(1)	(5)	–	(6)	–	(6)
Net movement from new leases and modifications	–	(28)	–	–	(28)	–	(28)
Reclassifications	–	(5)	5	–	–	–	–
At 31 July 2025	195	(32)	(635)	10	(462)	5	(457)

Cash pooling

Cash and overdraft balances in interest compensation cash pooling systems are reported gross on the balance sheet. The cash pooling agreements incorporate a legally enforceable right of net settlement. However, as there is no intention to settle the balances net, these arrangements do not qualify for net presentation. At 31 July 2026 the total value of overdrafts on accounts in interest compensation cash pooling systems was £nil (FY2025: £nil). The balances held in zero balancing cash pooling arrangements have daily settlement of balances. Therefore, netting is not relevant.

Change of control

The Company has in place credit facility agreements under which a change of control would trigger prepayment clauses. The Company has two bonds in issue, the terms of which would allow bondholders to exercise put options and require the Company to buy back the bonds at their principal amount plus interest if a rating downgrade occurs at the same time as a change of control takes effect.

Lease liabilities

Lease liabilities have been measured at the present value of the remaining lease payments. The weighted average incremental borrowing rate applied to lease liabilities in FY2026 was 4.73% (FY2025: 4.69%).

19. Financial risk management

The Group's international operations and debt financing expose it to financial risks which include the effects of changes in foreign exchange rates, debt market prices, interest rates, credit risks and liquidity risks. The management of operational credit risk is discussed in note 16.

Treasury Risk Management Policy

The Board maintains a Treasury Risk Management Policy, which governs the treasury operations of the Group and its subsidiary companies and the consolidated financial risk profile to be maintained. A report on treasury activities, financial metrics and compliance with the Policy is circulated to the Chief Financial Officer each month and key elements to the Audit & Risk Committee on a semi-annual basis.

The Policy maintains a treasury control framework within which counterparty risk, financing and debt strategy, cash and liquidity, interest rate risk and currency translation management are reserved for Group Treasury, while currency transaction management is devolved to operating divisions.

Centrally directed cash management systems exist globally to manage overall liquid resources efficiently across the divisions. The Group uses financial instruments to raise financing for its global operations, to manage related interest rate and currency financial risk, and to hedge transaction risk within subsidiary companies.

The Group does not speculate in financial instruments. All financial instruments hedge existing business exposures and all are recognised on the balance sheet.

The Policy defines four treasury risk components and for each component a set of financial metrics to be measured and reported monthly against pre-agreed objectives.

1) Credit quality

The Group's strategy is to maintain a solid investment-grade rating to ensure access to the widest possible sources of financing at the right time and to optimise the resulting cost of debt capital. The credit ratings at the end of July 2026 were BBB/ Baa2 (both stable outlook) from Standard & Poor's and Moody's respectively. An essential element of an investment-grade rating is consistent and robust cash-flow metrics. The Group's objective is to maintain a net debt/headline EBITDA ratio of two times or lower over the medium term. Capital management is discussed in more detail in note 26.

2) Debt and interest rate

The Group's risk management objectives are to ensure that the majority of funding is drawn from the public debt markets, the average maturity profile of gross debt is to be at or greater than three years, and between 40-60% of gross debt (excluding leases) is at fixed rates. At 31 July 2026 these measures were 100% (FY2025: 100%), 3.9 years (FY2025: 1.6 years) and 47% (FY2025: 54%).

The Group has no financial covenants in its external debt agreements. Interest rate risk management is discussed in note 19(b).

NOTES TO THE ACCOUNTS CONTINUED

3) Liquidity management

The Group's objective is to ensure that at any time undrawn committed facilities, net of short-term overdraft financing, are at least £300m and that committed facilities have at least 12 months to run until maturity. At 31 July 2026, these measures were £594m (FY2025: £805m) and a weighted average maturity of 45 months (FY2025: 49 months). At 31 July 2026, net cash resources were £2,956m (FY2025: £195m). Liquidity risk management is discussed in note 19(d).

4) Currency management

The Group is an international business with the majority of its net assets denominated in foreign currency. It protects the balance sheet and reserves from adverse foreign exchange movements by financing foreign currency assets where appropriate in the same currency. The Group's objective for managing transaction currency exposure is to reduce medium-term volatility to cash-flow, margins and earnings. Foreign exchange risk management is discussed in note 19(a) below.

(a) Foreign exchange risk**Transactional currency exposure**

The Group is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. It is Group policy that, when the net foreign exchange exposure to known future sales and purchases is material, this exposure is hedged using forward foreign exchange contracts. The net exposure is calculated by adjusting the expected cash-flow for payments or receipts in the same currency linked to the sale or purchase. This policy minimises the risk that the profits generated from the transaction will be affected by foreign exchange movements which occur after the price has been determined. Hedge accounting documentation and effectiveness testing are only undertaken if it is cost-effective.

The following table shows the currency of financial instruments. It excludes loans and derivatives designated as net investment hedges.

At 31 July 2026

	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	25	282	69	121	497
Financial instruments included in trade and other payables	(356)	(153)	(30)	(70)	(609)
Cash and cash equivalents	2,508	24	347	77	2,956
Borrowings not designated in hedge accounting relationships	(17)	(57)	(306)	(23)	(403)
	2,160	96	80	105	2,441
Exclude balances held in operations with the same functional currency	(2,167)	(142)	(35)	(91)	(2,435)
Exposure arising from intra-Group loans	–	57	(6)	(12)	39
Future forward foreign exchange contract cash-flows	25	(57)	(15)	47	–
	18	(46)	24	49	45

At 31 July 2025

	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	30	395	176	143	744
Financial instruments included in trade and other payables	(58)	(221)	(96)	(107)	(482)
Cash and cash equivalents	18	99	26	52	195
Borrowings not designated in hedge accounting relationships	(24)	(51)	(11)	(22)	(108)
	(34)	222	95	66	349
Exclude balances held in operations with the same functional currency	33	(386)	(74)	28	(399)
Exposure arising from intra-Group loans	–	154	(15)	(46)	93
Future forward foreign exchange contract cash-flows	(85)	(52)	32	105	–
	(86)	(62)	38	153	43

Financial instruments included in trade and other receivables comprise trade receivables, accrued income and other receivables which qualify as financial instruments. Similarly, financial instruments included in trade and other payables comprise trade payables, accrued expenses and other payables that qualify as financial instruments.

Based on the assets and liabilities held at the year-end, if the specified currencies were to strengthen 10% while all other market rates remained constant, the change in the fair value of financial instruments not designated as net investment hedges would have the following effect:

	Impact on profit for the year FY2026 £m	Gain/(loss) recognised in reserves FY2026 £m	Impact on profit for the year FY2025 £m	Gain/(loss) recognised in reserves FY2025 £m
US dollar	2	3	4	2
Euro	(3)	1	(1)	(2)
Sterling	2	(1)	3	(2)

These sensitivities were calculated before adjusting for tax and exclude the effect of quasi-equity intra-Group loans.

NOTES TO THE ACCOUNTS CONTINUED

Cash-flow hedging

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 July 2026, contracts with a nominal value of £58m (FY2025: £103m) were designated as hedging instruments. In addition, the Group had outstanding foreign currency contracts with a nominal value of £296m (FY2025: £357m) which were being used to manage transactional foreign exchange exposures, but were not accounted for as cash-flow hedges. The fair value of the contracts is disclosed in note 20.

The majority of hedged transactions will be recognised in the consolidated income statement in the same period that the cash-flows are expected to occur, with the only differences arising because of normal commercial credit terms on sales and purchases. It is the Group's policy to hedge 80% of certain exposures for the next two years and 50% of highly probable exposures for the next 12 months.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The foreign exchange forward contracts have similar critical terms to the hedged items, such as the notional amounts and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1.

The main sources of hedge ineffectiveness in these hedging relationships are the effect of the Group's and the counterparty credit risks on the fair value of the foreign exchange forward contracts, which is not reflected in the fair value of the hedged item and the risk of over-hedging where the hedge relationship requires re-balancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs. Of the foreign exchange contracts designated as hedging instruments, 100% are for periods of 12 months or less (FY2025: 100%).

The Group also has exposures to the fair values of non-derivative financial instruments such as EUR fixed rate borrowings. To manage the risk of changes in these fair values, the Group has entered into fixed-to-fixed cross-currency interest rate swaps, which for accounting purposes are designated as cash flow hedges. At 31 July 2026, the Group had designated the following hedge against the variability in future interest cash flows arising from fluctuations in market rates:

- €260m of the fixed/fixed and € exchange exposure of EUR/GBP interest rate swaps maturing on 13 November 2033 partially hedging the € 2033 Eurobond.

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £229m (FY2025: £nil) debt from fixed Euro rate to fixed Sterling rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The main source of hedge ineffectiveness in these hedging relationships is the effect of the currency basis risk and changes in yield curves on cross-currency interest rate swaps which are not reflected in the fair value of the hedged item.

No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness was recognised immediately in the income statement in the period in which it occurred.

The following table presents a reconciliation by risk category of the cash-flow hedge reserve and analysis of other comprehensive income in relation to hedge accounting:

		Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Brought forward cash-flow hedge reserve at start of year		1	–
Cross-currency swaps:	Net fair value losses on effective hedges	(3)	–
	Amount reclassified to income statement – finance costs	3	–
Foreign exchange forward contracts:	Net fair value gains on effective hedges	–	(2)
	Amount reclassified to income statement – finance costs	–	3
Carried forward cash-flow hedge reserve at end of year		1	1

The following tables set out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the cash-flow hedge reserve:

Hedged item	Hedged exposure	Hedging instrument	Financial year	Changes in value of the hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Cash-flow hedge reserve £m
Bonds	Foreign currency & interest rate risk	Cross-currency swaps	FY2026	1	–	1
			FY2025	–	–	–
Sales and purchases	Foreign currency risk	Foreign exchange contracts	FY2026	–	–	–
			FY2025	(2)	2	(2)

Cash-flow hedges generated £1m of ineffectiveness in FY2026 (FY2025: £nil) which was recognised in the income statement through finance costs.

Translational currency exposure

The Group has significant investments in overseas operations, particularly in the US and Europe. As a result, the sterling value of the Group's balance sheet can be significantly affected by movements in exchange rates. The Group seeks to mitigate the effect of these translational currency exposures by matching the net investment in overseas operations with borrowings denominated in their functional currencies, except where significant adverse interest differentials or other factors would render the cost of such hedging activity uneconomic. This is achieved by borrowing primarily in the relevant currency or in some cases indirectly using cross-currency swaps.

NOTES TO THE ACCOUNTS CONTINUED

Net investment hedges

The table below sets out the currency of loans and swap contracts designated as net investment hedges:

	At 31 July 2026			At 31 July 2025		
	US\$ £m	Euro £m	Total £m	US\$ £m	Euro £m	Total £m
Loans designated as net investment hedges	–	–	–	–	(296)	(296)
Cross-currency swap	(236)	–	(236)	(240)	–	(240)
	(236)	–	(236)	(240)	(296)	(536)

At 31 July 2026, cross-currency swaps hedged the Group's exposure to US dollars and euros (FY2025: US dollars and euros). All the cross-currency swaps designated as net investment hedges were current (FY2025: non-current). Swaps generating £236m of the US dollar exposure (FY2025: £240m) will mature in February 2027.

In addition, non-swapped borrowings, maturing in February 2027, previously used to hedge the Group's exposure to euros were de-designated following the disposal of the Detection business (FY2025: euros).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The swaps and borrowings have the same notional amount as the hedged items and, therefore, there is an economic relationship with the hedge ratio established as 1:1.

The main sources of hedge ineffectiveness in these hedging relationships are the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts which is not reflected in the fair value of the hedged item and the risk of over-hedging where the hedge relationship requires re-balancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs.

The following table presents a reconciliation by risk category of the net investment hedge reserve and analysis of other comprehensive income in relation to hedge accounting:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Brought forward net investment hedge reserve at start of year	(191)	(191)
Cross-currency swaps Net fair value gains on effective hedges	4	7
Bonds Net fair value gains on effective hedges	(2)	(7)
Amounts removed from hedge reserve and recognised in income statement Profit/(loss) on business disposal	106	–
Carried forward net investment hedge reserve at end of year	(83)	(191)

The following table sets out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the net investment hedge reserve as at 31 July 2026 and 31 July 2025:

Hedged item	Hedged exposure	Hedging instrument	Financial year	Changes in value of the hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Net investment hedge reserve £m
Overseas operation	Foreign currency risk	Bonds	FY2026	(4)	6	4
		Cross-currency swaps	FY2026	2	(2)	(2)
				(2)	4	2
Overseas operation	Foreign currency risk	Bonds	FY2025	7	(7)	(7)
		Cross-currency swaps	FY2025	(7)	8	7
				–	1	–

Net investment hedges generated a £2m credit of ineffectiveness in FY2026 (FY2025: £1m) which was recognised in the income statement through finance costs.

The fair values of these net investment hedges are subject to exchange rate movements. Based on the hedging instruments in place at the year-end, if the specified currencies were to strengthen 10% while all other market rates remained constant, it would have the following effect:

	Loss recognised in hedge reserve 31 July 2026 £m	Loss recognised in hedge reserve 31 July 2025 £m
US dollar	26	27
Euro	–	33

These movements would be fully offset by an opposite movement on the retranslation of the net assets of the overseas subsidiaries. These sensitivities were calculated before adjusting for tax.

(b) Interest rate risk

The Group operates an interest rate policy designed to optimise interest cost and reduce volatility in reported earnings. The Group's current policy is to require interest rates to be fixed within a band of between 40% and 60% of the level of gross debt (excluding leases). This is achieved through fixed rate borrowings and interest rate swaps. At 31 July 2026 47% (FY2025: 54%) of the Group's gross borrowings (excluding leases) were at fixed interest rates, after adjusting for interest rate swaps and the impact of short maturity derivatives designated as net investment hedges.

NOTES TO THE ACCOUNTS CONTINUED

The Group monitors its fixed rate risk profile against both gross and net debt. For medium-term planning, it focuses on gross debt to eliminate the fluctuations of variable cash levels over the cycle. The weighted average interest rate on borrowings and cross-currency swaps at 31 July 2026, after interest rate swaps, was 4.48% (FY2025: 4.25%).

Interest rate profile of financial assets and liabilities and the fair value of borrowings

The following table shows the interest rate risk exposure of investments, cash and borrowings, with the borrowings adjusted for the impact of interest rate hedging. Other financial assets and liabilities do not earn or bear interest, and for all financial instruments except borrowings, the carrying value is not materially different from their fair value.

As at 31 July 2026

	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
Fixed interest				
Less than one year	–	–	(332)	(332)
Between one and five years	–	–	(48)	(48)
Greater than five years	–	–	(248)	(248)
Total fixed interest financial liabilities	–	–	(628)	(628)
Floating rate interest financial assets/(liabilities)	2	2,920	(576)	(588)
Total interest-bearing financial assets/(liabilities)	2	2,920	(1,204)	(1,216)
Non-interest-bearing assets in the same category	–	36	–	–
Total	2	2,956	(1,204)	(1,216)

As at 31 July 2025

	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
Fixed interest				
Less than one year	–	–	(32)	(32)
Between one and five years	–	–	(353)	(352)
Greater than five years	–	–	(27)	(27)
Total fixed interest financial liabilities	–	–	(412)	(411)
Floating rate interest financial assets/(liabilities)	1	142	(255)	(257)
Total interest-bearing financial assets/(liabilities)	1	142	(667)	(668)
Non-interest-bearing assets in the same category	–	53	–	–
Total	1	195	(667)	(668)

Interest rate hedging

The Group also has exposures to the fair values of non-derivative financial instruments such as EUR fixed rate borrowings. To manage the risk of changes in these fair values, the Group has entered into fixed-to-floating interest rate swaps and cross-currency interest rate swaps, which for accounting purposes are designated as fair value hedges.

At 31 July 2026, the Group had designated the following hedge against variability on the fair value of borrowings arising from fluctuations in base rates:

- €300m of the fixed/floating and € exchange exposure of EUR/USD interest rate swaps maturing on 23 February 2027 partially hedging the € 2027 Eurobond.
- €390m of the fixed/floating and € exchange exposure of EUR/GBP interest rate swaps maturing on 13 November 2033 partially hedging the € 2033 Eurobond.

At 31 July 2025, the Group had designated the following hedge against variability on the fair value of borrowings arising from fluctuations in base rates:

- €300m of the fixed/floating and € exchange exposure of EUR/USD interest rate swaps maturing on 23 February 2027 partially hedging the € 2027 Eurobond.

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £590m (FY2025: £259m) debt from fixed rate to floating rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the currency basis risk on cross-currency interest rate swaps which are not reflected in the fair value of the hedged item. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness was recognised immediately in the income statement in the period in which it occurred.

NOTES TO THE ACCOUNTS CONTINUED

The following table sets out the details of the hedged exposures covered by the Group's fair value hedges:

Hedged item	Hedged exposure	Financial year	Changes in value of hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Carrying amount		Accumulated fair value adjustments on hedged item	
					Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2026	10	(11)	–	590	–	(14)
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2025	(7)	8	–	251	–	(5)

(a) Classified as borrowings.

Fair value hedges generated a £1m ineffectiveness in gain FY2026 (FY2025: £1m) which was recognised in the income statement through finance costs.

Sensitivity of interest charges to interest rate movements

The Group has exposure to sterling, US dollar and euro interest rates. Based on the composition of net debt and investments at 31 July 2026, and taking into consideration all fixed rate borrowings and interest rate swaps in place, a one percentage point (100 basis points) change in average floating interest rates for all three currencies would have a £22m impact (FY2025: £2m impact) on the Group's profit before tax.

(c) Financial credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not currently expect any counterparties to fail to meet their obligations. Credit risk is mitigated by the Board-approved policy of only placing cash deposits with highly rated relationship bank counterparties within counterparty limits established by reference to their Standard & Poor's long-term debt rating. In the normal course of business, the Group operates cash pooling systems, where a legal right of set-off applies.

The maximum credit risk exposure in the event of other parties failing to perform their obligations under financial assets, excluding trade and other receivables and derivatives, totals £2,962m at 31 July 2026 (FY2025: £201m).

	31 July 2026 £m	31 July 2025 £m
Cash in AAA liquidity funds	2,370	76
Cash at banks with at least a AA- credit rating	269	33
Cash at banks with all other A credit ratings	309	79
Cash at other banks	8	7
Investments in bank deposits	2	1
Other investments	4	5
Total	2,962	201

At 31 July 2026, the maximum exposure with a single liquidity fund for deposits and cash was £395m (FY2025: £54m), whilst the maximum mark to market exposure with a single bank or financial institution for derivatives was £3m (FY2025: £3m). This liquidity fund and bank have AAA and A+ credit ratings respectively (FY2025: Both AAA & AA- respectively).

(d) Liquidity risk Borrowing facility

Board policy specifies the maintenance of an unused committed credit facility of at least £300m at all times to ensure that the Group has sufficient available funds for operations and planned development. The Group has a Revolving Credit Facility of US\$800m maturing 5 May 2030. At the balance sheet date, the Group had the following undrawn credit facility:

	31 July 2026 £m	31 July 2025 £m
Expiring between one and two years	–	200
Expiring between three and four years	594	–
Expiring after more than four years	–	605
Total	594	805

Cash deposits

As at 31 July 2026, £2,856m (FY2025: £93m) of cash and cash equivalents was on deposit with various banks of which £2,500m (FY2025: £76m) was in liquidity funds. £2m (FY2025: £1m) of investments comprised bank deposits held to secure liabilities and letters of credit and margin call deposits related to commodity hedging.

NOTES TO THE ACCOUNTS CONTINUED

Gross contractual cash-flows for borrowings

						As at 31 July 2025		
As at 31 July 2026						Receipts £m	Payments £m	Net cash-flow £m
	Borrowings £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m			
Less than one year	(565)	2	(24)	(31)	(618)	238	(231)	7
Between one and two years	–	–	(16)	(20)	(36)	271	(261)	10
Between two and three years	–	–	(13)	(20)	(33)			
Between three and four years	–	–	(10)	(20)	(30)			
Between four and five years	–	–	(8)	(20)	(28)			
Greater than five years	(549)	12	(33)	(40)	(610)	208	(210)	(2)
Total	(1,114)	14	(104)	(151)	(1,355)	724	(709)	15

						As at 31 July 2025		
	Borrowings £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m			
Less than one year	(3)	–	(29)	(11)	(43)			
Between one and two years	(561)	5	(19)	(11)	(586)			
Between two and three years	–	–	(14)	–	(14)			
Between three and four years	–	–	(11)	–	(11)			
Between four and five years	–	–	(8)	–	(8)			
Greater than five years	–	–	(27)	–	(27)			
Total	(564)	5	(108)	(22)	(689)			

The figures presented in the borrowings column include the non-cash adjustments which are highlighted in the adjacent column. The contractual interest reported for borrowings is before the effect of interest rate swaps.

Gross contractual cash-flows for derivative financial instruments

As at 31 July 2026			
	Receipts £m	Payments £m	Net cash-flow £m
Assets			
Less than one year	466	(445)	21
Greater than one year	8	(8)	–
Liabilities			
Less than one year	131	(133)	(2)
Greater than one year	607	(629)	(22)
Total	1,212	(1,215)	(3)

Assets

Less than one year	238	(231)	7
Greater than one year	271	(261)	10

Liabilities

Less than one year	208	(210)	(2)
Greater than one year	7	(7)	–

Total	724	(709)	15
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The table above presents the undiscounted future contractual cash-flows for all derivative financial instruments. For this disclosure, cash-flows in foreign currencies are translated using the spot rates at the balance sheet date. The fair values of these financial instruments are presented in note 20.

Gross contractual cash-flows for other financial liabilities

The contractual cash-flows for financial liabilities included in trade and other payables were £599m (FY2025: £461m) due in less than one year, £10m (FY2025: £21m) due between one and five years.

(e) Commodity price risk

The Group has exposures to the price of base metals arising from business operations. To minimise its cash flow exposures to changes in commodity prices, the Group enters into derivative commodity transactions. During 2026, the Group entered into commodity futures contracts for copper, tin and zinc which had a fair value of £1m at 31 July 2026 (FY2025: £nil). The commodity hedging policy is similar to the Group FX policy, in that the Group forecasts highly probable exposures to commodities and takes out hedges within prescribed maximum and minimum levels as set out in the policy. The maximum and minimum policy bands decline gradually over time. For accounting purposes, these derivative contracts are generally not designated in hedging relationships.

Sensitivity of cost of sales to commodity price movements

Based on the composition of unhedged commodities at 31 July 2026, and taking into consideration existing hedges in place, a ten percentage point change in commodity prices for all base metals would have a £1m impact (FY2025: £nil impact) on the Group's profit before tax.

NOTES TO THE ACCOUNTS CONTINUED

20. Derivative financial instruments

The tables below set out the nominal amount and fair value of derivative contracts held by the Group, identifying the derivative contracts which qualify for hedge accounting treatment.

	Contract or underlying nominal amount £m	At 31 July 2026		
		Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	58	–	–	–
Foreign exchange contracts (not hedge accounted)	296	3	(2)	1
Total foreign exchange contracts	354	3	(2)	1
Cross-currency swaps (fair value, net investment and cash flow hedges)	808	17	(22)	(5)
Commodity derivatives (not hedge accounted)	14	1	–	1
Total financial derivatives	1,176	21	(24)	(3)
Balance sheet entries:				
Non-current	590	–	(22)	(22)
Current	586	21	(2)	19
Total financial derivatives	1,176	21	(24)	(3)

	Contract or underlying nominal amount £m	At 31 July 2025		
		Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	103	2	(1)	1
Foreign exchange contracts (not hedge accounted)	357	5	(1)	4
Total foreign exchange contracts	460	7	(2)	5
Cross-currency swaps (fair value and net investment hedges)	240	10	–	10
Total financial derivatives	700	17	(2)	15
Balance sheet entries:				
Non-current	258	10	–	10
Current	442	7	(2)	5
Total financial derivatives	700	17	(2)	15

Accounting for other derivative contracts

Any foreign exchange contracts which are not formally designated as hedges and tested are classified as 'held for trading' and not hedge accounted.

Netting

International Swaps and Derivatives Association (ISDA) master netting agreements are in place with derivative counterparties except for contracts traded on a dedicated international electronic trading platform used for operational foreign exchange hedging. Under these agreements if a credit event occurs, all outstanding transactions under the ISDA are terminated and only a single net amount per counterparty is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting, since the offsetting is enforceable only if specific events occur in the future, and there is no intention to settle the contracts on a net basis.

	Assets 31 July 2026 £m	Liabilities 31 July 2026 £m	Assets 31 July 2025 £m	Liabilities 31 July 2025 £m
Gross value of assets and liabilities	20	(24)	17	(2)
Related assets and liabilities subject to master netting agreements	(13)	13	(2)	2
Net exposure	7	(11)	15	–

NOTES TO THE ACCOUNTS CONTINUED

The maturity profile, average interest and foreign currency exchange rates of the hedging instruments used in the Group's hedging strategies are as follows:

			Maturity at 31 July 2026		Maturity at 31 July 2025	
Hedged exposure	Hedging instrument		Up to one year	More than five years	Up to one year	One to five years
Fair value hedges						
Interest rate/ foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	254	344	–	254
		– Historical average exchange rate	0.8450	0.8808	–	0.8450
		– Average spread over three-month GBP SONIA	1.860%	1.385%	–	1.860%
Net investment hedges						
Foreign currency risk	Cross-currency swaps (GBP:USD)	– Notional amount (£m)	236	–	–	240
		– Historical average exchange rate	1.2534	–	–	1.2534
Cash-flow hedges						
Interest rate/ foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	–	229	–	–
		– Historical average exchange rate	–	0.8808	–	–
		– Weighted average fixed rate	–	5.136%	–	–
Foreign currency risk	Foreign exchange contracts (USD:GBP)	– Notional amount (£m)	32	–	29	–
		– Average exchange rate	1.3415	–	1.3076	–
	Foreign exchange contracts (GBP:EUR)	– Notional amount (£m)	11	–	15	–
		– Average exchange rate	0.8819	–	0.8729	–
	Foreign exchange contracts (CZK:GBP)	– Notional amount (£m)	12	–	10	–
		– Average exchange rate	27.9025	–	29.4206	–
	Foreign exchange contracts (EUR:USD)	– Notional amount (£m)	–	–	16	–
		– Average exchange rate	–	–	0.8017	–
	Foreign exchange contracts (CHF:EUR)	– Notional amount (£m)	–	–	11	3
		– Average exchange rate	–	–	0.9240	0.9049
	Foreign exchange contracts (AED:EUR)	– Notional amount (£m)	–	–	13	–
		– Average exchange rate	–	–	4.0632	–
	Foreign exchange contracts (AUD:EUR)	– Notional amount (£m)	–	–	4	–
		– Average exchange rate	–	–	1.7473	–

At 31 July 2026, the Group had forward foreign exchange contracts with a nominal value of £58m (FY2025: £103m) designated as cash-flow hedges. These forward foreign exchange contracts are in relation to sale and purchase of multiple currencies with varying maturities up to 22 July 2027. The largest single currency pairs are disclosed above and make up 95% of the notional hedged exposure. The notional and fair values of these foreign exchange forward derivatives are shown in the nominal amount and fair value of derivative contracts table on page 151.

NOTES TO THE ACCOUNTS CONTINUED

21. Fair value of financial instruments

As at 31 July 2026	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
Financial assets							
Other investments	14	A	–	2	–	2	2
Other investments	14	F	–	–	4	4	4
Cash and cash equivalents	18	B	2,956	–	–	2,956	2,956
Trade and other financial receivables		B/C	497	–	–	497	497
Derivative financial instruments	20	A/C	–	21	–	21	21
Total financial assets			3,453	23	4	3,480	3,480
Financial liabilities							
Trade and other financial payables		B	(609)	–	–	(609)	(609)
Short-term borrowings	18	B/D	(563)	–	–	(563)	(563)
Long-term borrowings	18	D	(537)	–	–	(537)	(549)
Lease liabilities	18	E	(104)	–	–	(104)	(104)
Derivative financial instruments	20	C	–	(24)	–	(24)	(24)
Total financial liabilities			(1,813)	(24)	–	(1,837)	(1,849)

The fair value of a financial instrument is the price at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair values have been determined with reference to available market information at the balance sheet date, using the methodologies described below:

- A Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 1 as defined by IFRS 13).
- B Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 2 as defined by IFRS 13).
- C Fair values of derivative financial assets and liabilities, and trade receivables held to collect or sell, are estimated by discounting expected future contractual cash-flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS 13).

As at 31 July 2025	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
Financial assets							
Other investments	14	A	–	1	–	1	1
Other investments	14	F	–	–	5	5	5
Cash and cash equivalents	18	B	195	–	–	195	195
Trade and other financial receivables		B/C	744	–	–	744	744
Derivative financial instruments	20	C	–	17	–	17	17
Total financial assets			939	18	5	962	962
Financial liabilities							
Trade and other financial payables		B	(468)	(14)	–	(482)	(482)
Short-term borrowings	18	B/D	(3)	–	–	(3)	(3)
Long-term borrowings	18	D	(556)	–	–	(556)	(557)
Lease liabilities	18	E	(108)	–	–	(108)	(108)
Derivative financial instruments	20	C	–	(2)	–	(2)	(2)
Total financial liabilities			(1,135)	(16)	–	(1,151)	(1,152)

D Borrowings are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of borrowings is estimated using quoted prices (Level 1 as defined by IFRS 13).

E Leases are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of the lease contract is estimated by discounting contractual future cash-flows (Level 2 as defined by IFRS 13).

F The fair value of instruments is estimated by using unobservable inputs to the extent that relevant observable inputs are not available. Unobservable inputs are developed using the best information available in the circumstances, which may include the Group's own data, taking into account all information about market participation assumptions that is reliably available (Level 3 as defined by IFRS 13).

IFRS 13 defines a three-level valuation hierarchy:

- Level 1 – quoted prices for similar instruments
- Level 2 – directly observable market inputs other than Level 1 inputs
- Level 3 – inputs not based on observable market data

NOTES TO THE ACCOUNTS CONTINUED

22. Commitments

At 31 July 2026, commitments, comprising bonds and guarantees arising in the normal course of business, amounted to £99m (FY2025: £180m), including pension commitments of £44m (FY2025: £44m) and charitable funding commitments for the Smiths Group Foundation of £25m (FY2025: £8m). In addition, the Group has committed expenditure on capital projects amounting to £5m (FY2025: £4m).

At 31 July 2026 the Group had provided its brokers with a non-cancellable instruction to purchase shares on the Group's behalf over the year end close period. It has been determined that this instruction has created a £278m financial liability for the present value of the redemption amount, this has been accrued for at the year end, see note 24 for further detail.

23. Provisions and contingent liabilities

	Trading	Non-headline and legacy			Total
	£m	John Crane, Inc. litigation £m	Titeflex Corporation litigation £m	Other £m	£m
At 31 July 2024	13	220	36	25	294
Foreign exchange rate movements	–	(6)	(1)	–	(7)
Provision charged	16	–	1	8	25
Provision released	(4)	(12)	(6)	–	(22)
Unwind of provision discount	–	8	1	–	9
Utilisation	(5)	(19)	(5)	(15)	(44)
Reclassified to liability held for sale	(1)	–	–	–	(1)
At 31 July 2025	19	191	26	18	254
Comprising:					
Current liabilities	12	23	7	14	56
Non-current liabilities	7	168	19	4	198
At 31 July 2025	19	191	26	18	254
Foreign exchange rate movements	–	(3)	–	–	(3)
Provision charged	16	–	4	6	26
Provision released	(3)	(30)	–	–	(33)
Unwind of provision discount	–	7	1	–	8
Utilisation	(2)	(12)	(2)	(4)	(20)
Reclassified to liability held for sale subsequently disposed	(27)	–	–	–	(27)
At 31 July 2026	3	153	29	20	205
Comprising:					
Current liabilities	–	20	9	16	45
Non-current liabilities	3	133	20	4	160
At 31 July 2026	3	153	29	20	205

The John Crane, Inc. and Titeflex Corporation litigation provisions were the only provisions that were discounted; other provisions have not been discounted as the impact would be immaterial.

Trading

The provisions included as trading represent amounts provided for in the ordinary course of business. Trading provisions are charged and released through headline profit.

Warranty provision and product liability

At 31 July 2026, the Group had warranty and product liability provisions of £1m (FY2025: £17m).

Warranties over the Group's products typically cover periods of between one and three years.

Provision is made for the likely cost of after-sales support based on the recent past experience of individual businesses.

Commercial disputes and litigation in respect of ongoing business activities

The Group has on occasion been required to take legal action to protect its intellectual property and other rights against infringement. It has also had to defend itself against proceedings brought by other parties, including product liability and insurance subrogation claims. Provision is made for any expected costs and liabilities in relation to these proceedings where appropriate, although there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred.

Contingent liabilities

In the ordinary course of its business, the Group is subject to commercial disputes and litigation such as government price audits, product liability claims, employee disputes and other kinds of lawsuits, and faces different types of legal issues in different jurisdictions. The high level of activity in the US, for example, exposes the Group to the likelihood of various types of litigation commonplace in that country, such as 'mass tort' and 'class action' litigation, legal challenges to the scope and validity of patents, and product liability and insurance subrogation claims. These types of proceedings (or the threat of them) are also used to create pressure to encourage negotiated settlement of disputes. Any claim brought against the Group (with or without merit) could be costly to defend. These matters are inherently difficult to quantify. In appropriate cases a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction of the actual costs and liabilities that may be incurred. There are also contingent liabilities in respect of litigation for which no provisions are made.

The Group operates in some markets where the risk of unethical or corrupt behaviour is material and has procedures, including an employee ethics alert line, to help it identify potential issues. Such procedures will, from time to time, give rise to internal investigations, sometimes conducted with external support, to ensure that the Group properly understands risks and concerns and can take steps both to manage immediate issues and to improve its practices and procedures for the future. The Group is not aware of any issues which are expected to generate material financial exposures.

NOTES TO THE ACCOUNTS CONTINUED

Non-headline and legacy**John Crane, Inc.**

John Crane, Inc. (JCI) is one of many co-defendants in numerous lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to, or use of, products previously manufactured which contained asbestos. Until 2006, the awards, the related interest and all material defence costs were met directly by insurers. In 2007, JCI secured the commutation of certain insurance policies in respect of product liability. Provision is made in respect of the expected costs of defending known and predicted future claims and of adverse judgements in relation thereto, to the extent that such costs can be reliably estimated.

The JCI products generally referred to in these cases consist of industrial sealing products, primarily packing and gaskets. The asbestos was encapsulated within these products in such a manner that causes JCI to understand, based on tests conducted on its behalf, that the products were safe. JCI ceased manufacturing products containing asbestos in 1985.

JCI continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the most efficacious presentation of its 'safe product' defence, and intends to continue to resist these asbestos claims based upon this defence. The table below summarises the JCI claims experience over the last 45 years since the start of this litigation:

	Year ended 31 July 2026	Year ended 31 July 2025	Year ended 31 July 2024	Year ended 31 July 2023	Year ended 31 July 2022
JCI claims experience					
Claims against JCI that have been dismissed	315,000	313,000	312,000	310,000	306,000
Claims JCI is currently a defendant in	21,000	21,000	20,000	20,000	22,000
Cumulative final judgements, after appeals, against JCI since 1979	157	157	156	154	149
Cumulative value of awards (US\$m) since 1979	192	192	191	190	175

The number of claims outstanding at 31 July 2026 reflected the benefit of 2,000 (FY2025: 1,000) claims being dismissed in the year.

JCI has also incurred significant additional defence costs. The litigation involves claims for a number of allegedly asbestos-related diseases, with awards, when made, for mesothelioma tending to be larger than those for the other diseases. JCI's ability to defend mesothelioma cases successfully is, therefore, likely to have a significant impact on its annual aggregate adverse judgement and defence costs.

John Crane, Inc. litigation provision

The provision is based on past history of JCI claims and well-established tables of asbestos-related disease incidence projections. The provision is determined using advice from asbestos valuation experts, Bates White LLC. The assumptions made in assessing the appropriate level of provision include: the period over which the expenditure can be reliably estimated; the future trend of legal costs; the rate of future claims filed; the rate of successful resolution of claims; and the average amount of judgements awarded.

Established incidence curves can be used to estimate the likely future pattern of asbestos-related disease. However, JCI's claims experience is also significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels in specific jurisdictions which move the balance of risk and opportunity for claimants; and legislative and procedural changes in both the state and federal court systems.

The projections use a limited time horizon on the basis that Bates White LLC consider that there is substantial uncertainty in the asbestos litigation environment. So probable expenditures are not reasonably estimable beyond this time horizon. Asbestos is the longest-running mass tort litigation in American history and is constantly evolving in ways that cannot be anticipated. JCI's defence strategy also generates a significantly different pattern of legal costs and settlement expenses from other defendants. Thus JCI is in an extremely rare position, and evidence from other litigation cannot be used to improve the reliability of the projections. A ten-year (FY2025: ten-year) time horizon has been used based on past experience regarding significant changes in the litigation environment that have occurred every few years and on the amount of time taken in the past for some of those changes to impact the broader asbestos litigation environment.

The rate of future claims filed has been estimated using well-established tables of asbestos incidence projections to determine the likely population of potential claimants, and JCI's past experience to determine what proportion of this population will make a claim against JCI. The JCI products generally referred to in claims had industrial and marine applications. As a result, the incidence curve used for JCI projections excludes construction workers, and is a composite of the curves that predict asbestos exposure-related disease from shipyards and other occupations. This is consistent with JCI's litigation history.

The rate of successful resolution of claims and the average amount of any judgements awarded are projected based on the past history of JCI claims, since this is the best available evidence, given JCI's strategy of defending all claims.

The future trend of legal costs is estimated based on JCI's past experience, adjusted to reflect the assumed levels of claims and trial activity, since the number of trials is a key driver of legal costs.

John Crane, Inc. litigation insurance recoveries

While JCI has certain excess liability insurance, JCI has met defence costs directly. The calculation of the provision does not take account of any potential recoveries from insurers.

John Crane, Inc. litigation provision sensitivities

The provision may be subject to potentially material revision from time to time if new information becomes available as a result of future events. There can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that will be incurred because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of related litigation, including the unpredictability of jury verdicts.

NOTES TO THE ACCOUNTS CONTINUED

John Crane, Inc. statistical reliability of projections over the ten-year time horizon

In order to evaluate the statistical reliability of the projections, a population of outcomes is modelled using randomised verdict outcomes. This generated a distribution of outcomes with future spend at the 5th percentile of £136m and future spend at the 95th percentile of £187m (FY2025: £170m and £230m, respectively). Statistical analysis of the distribution of these outcomes indicates that there is a 50% probability that the total future spend will fall between £172m and £195m (FY2025: between £214m and £242m), compared to the gross provision value of £187m (FY2025: £231m).

John Crane, Inc. litigation provision history

The JCI asbestos litigation provision of £153m (FY2025: £191m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

The JCI asbestos litigation provision has developed over the last five years as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m
John Crane, Inc. litigation provision					
Gross provision	187	231	261	246	258
Discount	(34)	(40)	(41)	(42)	(29)
Discounted pre-tax provision	153	191	220	204	229
Deferred tax	(37)	(46)	(54)	(51)	(57)
Discounted post-tax provision	116	145	166	153	172
Operating profit charge/(credit)					
(Decreased)/Increased provisions for adverse judgements and legal defence costs	(27)	(11)	28	28	24
Change in US risk-free rates	(3)	(1)	1	(15)	(18)
Subtotal – items charged to the provision	(30)	(12)	29	13	6
Litigation management, legal and professional fees in connection with litigation against insurers and defence strategy	1	–	–	2	1
Recoveries from insurers	–	(1)	(3)	(7)	–
Total operating profit (credit)/charge	(29)	(13)	26	8	7
Cash-flow					
Provision utilisation – legal defence costs and adverse judgements	(12)	(18)	(21)	(32)	(21)
Litigation management expense	–	–	–	(2)	(1)
Recoveries from insurers	–	1	3	7	–
Net cash outflow	(12)	(17)	(18)	(27)	(22)

John Crane, Inc. sensitivity of the projections to changes in the time horizon used

If the asbestos litigation environment becomes more volatile and uncertain, the time horizon over which the provision can be calculated may reduce. Conversely, if the environment became more stable, or JCI changed approach and committed to long-term settlement arrangements, the time period covered by the provision might be extended.

The projections use a ten-year time horizon. Reducing the time horizon by one year would reduce the provision by £12m (FY2025: £15m) and reducing it by five years would reduce the provision by £65m (FY2025: £85m).

We consider, after obtaining advice from Bates White LLC, that to forecast beyond ten years requires that the litigation environment remains largely unchanged with respect to the historical experience used for estimating future asbestos expenditures. Historically, the asbestos litigation environment has undergone significant changes more often than every ten years. If one assumed that the asbestos litigation environment would remain unchanged for longer and extended the time horizon by one year, it would increase the pre-tax provision by £10m (FY2025: £13m) and extending it by five years would increase the pre-tax provision by £33m (FY2025: £45m). However, there are also reasonable scenarios that, given certain recent events in the US asbestos litigation environment, would result in no additional asbestos litigation for JCI beyond ten years. At this time, how the asbestos litigation environment will evolve beyond ten years is not reasonably estimable.

John Crane, Inc. contingent liabilities

Provision has been made for future defence costs and the cost of adverse judgements expected to occur. JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. As a result, whilst the Group anticipates that asbestos litigation will continue beyond the period covered by the provision, the uncertainty surrounding the US litigation environment beyond this point is such that the costs cannot be reliably estimated.

Although the methodology used to calculate the JCI litigation provision can in theory be applied to show claims and costs for longer periods, the Directors consider, based on advice from Bates White LLC, that the level of uncertainty regarding the factors used in estimating future costs is too great to provide for reasonable estimation of the numbers of future claims, the nature of such claims or the cost to resolve them for years beyond the ten-year time horizon.

Titeflex Corporation

Titeflex Corporation, a subsidiary of the Group in the Flex-Tek business segment, has received a number of claims in the US from insurance companies seeking recompense on a subrogated basis for the effects of damage allegedly caused by lightning strikes in relation to its flexible gas piping product. It has also received product liability claims regarding this product in the US, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes. However, some claims have been settled on an individual basis without admission of liability. Equivalent third-party products in the US marketplace face similar challenges.

NOTES TO THE ACCOUNTS CONTINUED

Titeflex Corporation litigation provision

The continuing progress of claims and the pattern of settlement, together with recent marketplace activity, provide sufficient evidence to recognise a liability in the accounts. Therefore a provision has been made for the costs which the Group is expected to incur in respect of future claims to the extent that such costs can be reliably estimated. Titeflex Corporation sells flexible gas piping with extensive installation and safety guidance designed to assure the safety of the product and minimise the risk of damage associated with lightning strikes.

The assumptions made in assessing the appropriate level of provision, which are based on past experience, include: the period over which expenditure can be reliably estimated; the number of future settlements; the average amount of settlements; and the impact of statutes of repose and safe installation initiatives on the expected number of future claims.

The provision of £29m (FY2025: £26m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

	31 July 2026 £m	31 July 2025 £m
Gross provision	63	56
Discount	(34)	(30)
Discounted pre-tax provision	29	26
Deferred tax	(7)	(6)
Discounted post-tax provision	22	20

Titeflex Corporation litigation provision history

A charge of £4m (FY2025: £5m credit) has been recognised by Titeflex Corporation in respect of changes to the estimated cost of future claims from insurance companies seeking recompense for damage allegedly caused by lightning strikes. The higher gross provision value has been principally driven by an increase in the number of claims.

Other non-headline and legacy provisions

Non-headline provisions comprise all provisions that were disclosed as non-headline items when they were charged to the consolidated income statement. Legacy provisions comprise non-material provisions relating to former business activities and discontinued operations and properties no longer used by Smiths.

These non-material provisions include non-headline reorganisation, disposal indemnities, litigation and arbitration in respect of old products and discontinued business activities. Provision is made for the best estimate of the expected expenditure related to the defence and/or resolution of such matters. There is an inherent risk in legal proceedings that the outcome may be unfavourable to the Group, and as such there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will be sufficient.

Reorganisation

At 31 July 2026, there were reorganisation provisions of £3m (FY2025: £5m) relating to the various restructuring programmes that are expected to be utilised in the next 18 months.

Property

At 31 July 2026, there were provisions of £10m (FY2025: £7m) related to actual and potential environmental issues for sites currently or previously occupied by Smiths operations.

24. Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares of 37.5p each			
Total share capital at 31 July 2024	345,097,794	130	
Share buybacks	(15,413,491)	(6)	(303)
Total share capital at 31 July 2025	329,684,303	124	
Share buybacks	(33,877,205)	(13)	(839)
Total share capital at 31 July 2026	295,807,098	111	

Share capital structure

As at 31 July 2026, the Company's issued share capital was 295,807,098 ordinary shares with a nominal value of 37.5p per share. All of the issued share capital was in free issue and all issued shares are fully paid.

The Company's ordinary shares are listed and admitted to trading on the Main Market of the London Stock Exchange. The Company has an American Depositary Receipt (ADR) programme and one ADR equates to one ordinary share. As at 31 July 2026, 5,057,587 ordinary shares were held by the nominee of the programme in respect of the same number of ADRs in issue.

The holders of ordinary shares are entitled to receive the Company's Reports and Accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. None of the ordinary shares carry any special rights with regard to control of the Company or distributions made by the Company.

There are no known agreements relating to, or restrictions on, voting rights attached to the ordinary shares (other than the 48-hour cut-off for casting proxy votes prior to a General Meeting). There are no restrictions on the transfer of shares, and there is no requirement to obtain approval for a share transfer. There are no known arrangements under which financial rights are held by a person other than the holder of the ordinary shares. There are no known limitations on the holding of shares.

Powers of Directors

The Directors are authorised to issue and allot shares and to buy back shares subject to receiving shareholder approval at general meetings. Existing authorities to allot shares were granted at the 2025 Annual General Meeting. The current authority to make market purchases of ordinary shares was granted at the General Meeting held on 23 July 2026. At the 2026 Annual General Meeting, it will be proposed that the Directors be granted new authorities to issue and allot shares and to buy back shares.

NOTES TO THE ACCOUNTS CONTINUED

Share buybacks

As at 9 September 2026 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 34.0 million ordinary shares (FY2025: 17.2 million). As at 9 September 2026, the Company did not hold any shares in treasury. Any ordinary shares purchased may be cancelled or held in treasury.

On 26 March 2024, the Company announced a £100m share buyback programme to purchase ordinary shares in the capital of the Company. The programme was extended to £500m, on 31 January 2025. The additional £350m commenced on 25 March 2025 and completed on 3 December 2025. During the current period, the Group purchased and cancelled 6,579,144 shares for a total consideration of £159m.

On 19 November 2025, the Group announced a new £1bn share buyback programme to commence after the completion of the previous programme. During the current period, the Group purchased and cancelled 27,298,061 shares for a total consideration of £680m. At 31 July 2026 1,561,624 shares were yet to settle and be cancelled, this has created a £41m financial liability that has been accrued for at the year end.

A further 8,928,434 ordinary shares have been repurchased during the period of 1 August 2026 to 9 September 2026. In total since the start of the £1bn Programme, 37,788,119 shares have been repurchased, for a total consideration of £951m, representing 12% of the called-up ordinary share capital outstanding at the start of the Programme.

At 31 July 2026 the Group had provided its brokers with a non-cancellable instruction to purchase shares on the Group's behalf over the year end close period. It has been determined that this instruction has created a £278m financial liability for the present value of the redemption amount, this has been accrued for at the year end.

Employment share schemes

Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights. The Company operates an Employee Benefit Trust, with an independent trustee, to hold shares pending employees becoming entitled to them under the Company's share schemes and plans. On 31 July 2026, the Trust held 1,493,880 (FY2025: 1,662,267) ordinary shares in the Company. The Trust waived its dividend entitlement on its holding during the year, and the Trust abstains from voting any shares held at General Meetings.

25. Dividends

The following dividends were declared and paid in the period:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Ordinary final dividend of 31.77p (FY2025: 30.2p) paid 21 November 2025	103	104
Ordinary interim dividend of 15.00p (FY2025: 14.23p) paid 13 May 2026	46	48
	149	152

In the current year a final dividend of 31.77p was paid in respect of FY2025 and an interim dividend of 15.00p was paid in respect of FY2026. In the prior year a total dividend of 44.43p was paid, comprising a final dividend of 30.2p paid in respect of FY2024 and an interim dividend of 14.23p paid in respect of FY2025.

The final dividend for the year ended 31 July 2026 of 33.5p per share was recommended by the Board on 21 September 2026 and will be paid to shareholders on 23 November 2026, subject to approval by the shareholders. This dividend is payable to all shareholders on the register of members at 6.00pm on 16 October 2026 (the record date).

Waiver of dividends

WBS Client Nominees Limited (Smiths Industries Employee Share Trust) waived all dividends payable in the year, and all future dividends, on their shareholdings in the Company.

26. Reserves

Retained earnings include the value of Smiths Group plc shares held by the Smiths Industries Employee Benefit Trust. In the year the Company issued nil (FY2025: nil) shares to the Trust, the Trust purchased 1,822,575 shares (FY2025: 1,318,518 shares) in the market for a consideration of £43m (FY2025: £23m) and redeemed 1,990,962 shares (FY2025: 1,044,561) to employees for a cumulative option cost of £2m (FY2025: £1m). At 31 July 2026, the Trust held 1,493,880 (FY2025: 1,662,267) ordinary shares.

Other reserves comprise the capital redemption reserve and merger reserve, which arose from share repurchases, revaluations of property, plant and equipment, and merger accounting for business combinations before the adoption of IFRS, respectively.

Capital management

Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, net retirement benefit-related assets and liabilities, net litigation provisions relating to non-headline items and net debt. The efficiency of the allocation of capital to the divisions is monitored through the return on capital employed (ROCE). This ratio is calculated over a rolling 12-month period and is the percentage that headline operating profit comprises of monthly average capital employed. In FY2026 ROCE for continuing operations was 23.5% (FY2025: 24.5%); see note 30.

Capital structure is based on the Directors' judgement of the balance required to maintain flexibility, whilst achieving an efficient cost of capital.

NOTES TO THE ACCOUNTS CONTINUED

The FY2026 ratio of net cash to headline EBITDA of 3.9 (FY2025: 0.6 net debt) is within the Group's stated policy of 2.0 or less over the medium term. The Group's robust balance sheet and record of strong cash generation are more than able to fund immediate investment needs and legacy obligations. See note 30 for the definition of headline EBITDA and the calculation of this ratio.

As part of its capital management, the Group maintains a solid investment grade credit rating to ensure access to the widest possible sources of financing and to optimise the resulting cost of capital. At 31 July 2026, the Group had a credit rating of BBB/Baa2 (FY2025: BBB+/Baa2) with Standard & Poor's and Moody's respectively.

The Board has a progressive dividend policy for future payouts, with the aim of increasing dividends in line with the long-term underlying growth in earnings. In setting the level of dividend payments, the Board will take into account prevailing economic conditions and future investment plans, along with the objective to maintain a minimum dividend cover of at least two times.

Hedge reserve

The hedge reserve on the balance sheet records the cumulative gain or loss on designated hedging instruments, and comprises:

	31 July 2026 £m	31 July 2025 £m
Net investment hedge reserve	(83)	(191)
Deferred tax on net investment hedge reserve	7	7
Cashflow hedge reserve	1	1
Hedge reserve total	(75)	(183)

See transactional currency exposure risk management disclosures in note 19 for additional details of cash-flow hedges, and translational currency exposure risk management disclosure also in note 19 for additional details of net investment hedges.

Non-controlling interest

The Group has recorded non-controlling interests of £23m (FY2025: £24m), of which the most significant balance is in John Crane Japan Inc., which represented £23m (FY2025: £22m) of the total non-controlling interests.

The non-controlling interest in John Crane Japan Inc. represents a 30% interest. John Crane Japan Inc. generated operating profits of £11m in the period (FY2025: £10m), and cash inflows from operating activities of £10m (FY2025: £6m). It paid dividends of £2m (FY2025: £1m) and tax of £3m (FY2025: £2m). At 31 July 2026, the company contributed £59m (FY2025: £57m) of net assets to the Group.

27. Acquisitions

On 1 April 2026 the Group acquired 100% of the share capital of DRC Heat Transfer (DRC).

DRC is a US-based designer and manufacturer of custom heat transfer and cooling solutions and will be integrated into the Flex-Tek business to extend Flex-Tek's offering into cooling applications, adding broader thermal solutions capabilities and strengthen Flex-Tek's presence in the power generation market. The total cash consideration for this acquisition was £165m.

The acquisition was financed using the Group's own cash resources. The intangible assets recognised on acquisition comprise customer relationships, trade names and order backlog. Goodwill represents the expected synergies from the strategic fit of the acquisition and the value of the expertise in the assembled workforce.

From the date of acquisition to 31 July 2026, DRC contributed £36m to revenue and £8m to profit before taxation and amortisation. If the Group had acquired DRC at the beginning of the financial year, the acquisition would have contributed an additional £55m to revenue and £4m to profit before taxation and amortisation.

The balances at the date of acquisition have been provided in the table below. The amounts related to working capital are provisional as these have adjustments that have not been finalised as at the year end.

	Total £m
Non-current assets	
– acquired intangible assets	109
– land and buildings	1
– plant and machinery	5
– right of use assets	4
Current assets	
– inventory	13
– trade and other receivables	14
– cash and cash equivalents	6
– commodity derivatives	1
Current liabilities	
– trade and other payables	(16)
Non-current liabilities	
– lease liability	(4)
Net assets acquired	133
Goodwill on current period acquisitions	32
Total consideration	165

NOTES TO THE ACCOUNTS CONTINUED

28. Discontinued operations and businesses held for sale

On 31 January 2025 Smiths Group plc announced the intention to divest of the Smiths Interconnect business in the calendar year 2025 and that Smiths Detection would be separated either by UK demerger or sale following the sale of Smiths Interconnect. For the FY2025 annual report and accounts it was concluded that the Smiths Interconnect businesses met the classification criteria for discontinued operations and held for sale, whilst Smiths Detection separation was not yet sufficiently advanced for the Smiths Detection business to be accounted for as a discontinued operation or a business held for sale or distribution to owners.

During FY2026 Smiths Group plc completed on both the sale of the Smiths Interconnect and Smiths Detection businesses. Additionally the Group has commenced a disposal programme for certain Flex-Tek's general industrial businesses, the sale of half of the businesses in this programme have completed in FY2026, the programme is anticipated to be concluded within Calendar Year 2026.

Smiths Interconnect and Smiths Detection are separate major lines of business for the Group and therefore are presented as discontinued operations, together with the Flex-Tek general industrial businesses which form part of the Group's wider strategic portfolio optimisation programme. The Flex-Tek general industrial businesses divestment project has progressed sufficiently for this disposal group to be accounted for as a business held for sale.

Discontinued operations

The financial performance of discontinued operations in the current and prior years is presented below:

	Year ended 31 July 2026			Year ended 31 July 2025		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Revenue	1,220	–	1,220	1,438	–	1,438
Operating costs	(1,011)	1,671	660	(1,246)	(64)	(1,310)
Impairment loss on held for sale reclassification	–	(11)	(11)	–	(30)	(30)
Operating profit/(loss)	209	1,660	1,869	192	(94)	98
Finance costs	1	(1)	–	(4)	(1)	(5)
Profit/(loss) before taxation	210	1,659	1,869	188	(95)	93
Taxation*	(57)	3	(54)	(55)	–	(55)
Profit/(loss) from discontinued operations	153	1,662	1,815	133	(95)	38

* The statutory ETR for discontinuing operations is 2.8% (FY2025: 59.1%) which was significantly influenced by material non-headline items in the period, principally the non-taxable gains arising on the disposal of Smiths Detection and Smiths Interconnect, which both qualify for the UK Substantial Shareholding Exemption (SSE); and non-deductible costs associated with these disposals.

Additional segmental information for discontinued operations

	Year ended 31 July 2026			
	Smiths Interconnect £m	Smiths Detection £m	Other* £m	Total £m
Revenue	244	921	55	1,220
Headline operating profit/(loss)	58	154	(3)	209
Items excluded from headline measures (note 3)	877	794	(11)	1,660
Operating profit/(loss)	935	948	(14)	1,869
Operating profit for the period is stated after charging:				
Depreciation	–	7	2	9
Amortisation	–	10	–	10
Impairment loss on held for sale reclassification	–	–	11	11
Gain on sale of discontinued operations	(877)	(807)	(6)	(1,690)
Reconciliation of headline operating profit to reported underlying headline operating profit:				
Headline operating profit/(loss)	58	154	(3)	209
IFRS 5 held for sale adjustments**	(8)	(28)	–	(36)
Reported underlying headline operating profit/(loss)**	50	126	(3)	173

	Year ended 31 July 2025			
	Smiths Interconnect £m	Smiths Detection £m	Other* £m	Total £m
Revenue	364	963	111	1,438
Headline operating profit/(loss)	80	122	(10)	192
Items excluded from headline measures (note 3)	(11)	(36)	(47)	(94)
Operating profit/(loss)	69	86	(57)	98
Operating profit for the period is stated after charging:				
Depreciation	8	19	5	32
Amortisation	3	39	1	43
Impairment loss on held for sale reclassification	–	–	30	30
Impairment of prior year working capital balances	–	–	15	15
Reconciliation of headline operating profit to reported underlying headline operating profit:				
Headline operating profit/(loss)	80	122	(10)	192
IFRS 5 held for sale adjustments**	–	–	–	–
Reported underlying headline operating profit/(loss)**	80	122	(10)	192

* The 'other' column comprises the results of certain Flex-Tek general industrial businesses and Smiths Interconnect, Inc (SII), Interconnect's US sub-systems business.

** IFRS 5 held for sale adjustments include the add back of headline amortisation/depreciation that IFRS 5 requires to be paused for businesses held for sale. Reported underlying headline operating profit/loss is a pro-forma metric that presents operating profit including these charges to aid year-on-year comparability of results

NOTES TO THE ACCOUNTS CONTINUED

Gain on sale of discontinued operations

The sale of Smiths Interconnect completed on 31 March 2026, the sale of Smiths Detection completed on 30 June 2026, the sale of some Flex-Tek general industrial businesses completed on 8 June 2026 and the sale of SII, Interconnect's US sub-systems business completed on 1 October 2025. The effect of these disposals on the financial position of the Group is as follows:

	Smiths Interconnect £m	Smiths Detection £m	Other £m	Total £m
Intangible assets	276	750	–	1,026
Property, plant and equipment	53	54	4	111
Right of use assets	11	30	1	42
Financial assets	–	1	–	1
Inventories	85	332	16	433
Deferred tax assets	2	24	–	26
Current tax receivable	2	6	–	8
Trade and other receivables	71	345	16	432
Cash and cash equivalents	51	29	3	83
Financial derivatives	–	(1)	–	(1)
Lease liabilities	(10)	(27)	(3)	(40)
Trade and other payables	(75)	(348)	(11)	(434)
Current tax payable	(7)	(34)	–	(41)
Deferred tax liabilities	(5)	(32)	(1)	(38)
Retirement benefit obligations	(1)	(37)	–	(38)
Provisions	(1)	(27)	–	(28)
Net assets disposed of	452	1,065	25	1,542

Consideration received:

Cash and cash equivalents received	1,345	1,964	19	3,328
Cash and cash equivalents deferred – due to working capital adjustments	(3)	–	3	–
Transaction costs and separation expenses	(40)	(90)	(1)	(131)
Cash and cash equivalents, net of transaction costs	1,302	1,874	21	3,197
Gain/(loss) on sale before reclassification of foreign currency translation reserve	850	809	(4)	1,655
Exchange movements recycled to the income statement	42	74	25	141
Net Investment hedge reserve recycled to the income statement	(15)	(76)	(15)	(106)
Gain on sale of discontinued operation	877	807	6	1,690

	Smiths Interconnect £m	Smiths Detection £m	Other £m	Total £m
Cash-flows from operating activities arising on disposal:				
Transaction costs and separation expenses paid in period	(41)	(67)	(1)	(109)

Cash-flows from investing activities arising on disposal:				
Consideration received in cash and cash equivalents	1,345	1,964	19	3,328
Less cash and cash equivalents disposed of	(51)	(29)	(3)	(83)
	1,294	1,935	16	3,245

Smiths Detection acquisition of Med Graphix, Inc

In August 2025, Smiths Detection completed the acquisition of 100% of the assets of Med Graphix, Inc. for consideration of £6m. The business acquisition created £6m of goodwill. The acquisition will provide repair and refurbishment services for Smiths Detection in North America.

Additional segmental information for discontinued operations

Revenue by destination for the Smiths Detection discontinued operations is analysed as follows: Americas £362m (FY2025: £395m), Europe £254m (FY2025: £243m), APAC £144m (FY2025: £172m) and ROW £162m (FY2025: £154m). Revenue by destination for the Smiths Interconnect discontinued operations is analysed as follows: Americas £109m (FY2025: £214m), Europe £51m (FY2025: £76m), APAC £82m (FY2025: £116m) and ROW £10m (FY2025: £15m).

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for discontinued operations is £28m (FY2025: £29m).

Cash-flow from discontinued operations

Cash-flow from discontinued operations, included in the consolidated cash-flow statement is as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Net cash inflow from operating activities	(13)	164
Net cash-flow used in investing activities	(30)	(29)
Net cash-flow used in financing activities*	2	(50)
Net increase in cash and cash equivalents	(41)	85
Opening cash and cash equivalents in disposal group	152	74
Foreign exchange movements	(28)	(7)
Cash and cash equivalents disposed of	83	–
Cash and cash equivalents at close of period	–	152

* Net cash-flow used in financing activities for discontinued operations includes £23m inflow (FY2025: £28m outflow) of cashflows from intragroup financing with continuing operations.

NOTES TO THE ACCOUNTS CONTINUED

Businesses held for sale

At 31 July 2026 the remaining Flex-Tek general industrial disposal group has been classified as held for sale. The comparatives show the SII and the rest of the Smiths Interconnect disposal groups which met the held for sale criteria at 31 July 2025. The carrying value of the assets and liabilities of these disposal groups are as follows:

	31 July 2026 £m	31 July 2025 £m
Assets classified as held for sale:		
Intangible assets	–	278
Property, plant and equipment	3	43
Right of use assets	2	6
Inventories	4	74
Deferred tax assets	1	1
Current tax receivable	–	2
Trade and other receivables	3	72
Cash and cash equivalents	–	31
Assets classified as held for sale	13	507
Liabilities classified as held for sale:		
Financial liabilities - leases	(2)	(10)
Trade and other payables	(5)	(83)
Current tax payable	–	(6)
Deferred tax liabilities	–	(6)
Provisions for liabilities and charges	–	(1)
Liabilities classified as held for sale	(7)	(106)

29. Cash-flow**Cash-flow from operating activities**

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Operating profit:						
– continuing operations	399	(110)	289	388	(41)	347
– discontinued operations	209	1,660	1,869	192	(94)	98
Amortisation of intangible assets	7	39	46	25	52	77
Impairment on held for sale reclass	–	11	11	–	30	30
Depreciation of property, plant and equipment	25	1	26	43	2	45
Depreciation of right of use assets	27	–	27	34	–	34
Loss on disposal of property, plant and equipment	(1)	–	(1)	2	–	2
Gain on disposal of businesses	–	(1,690)	(1,690)	–	–	–
Disposal transaction costs and separation expenses	–	(131)	(131)	–	–	–
Share-based payment expense	17	7	24	21	–	21
Retirement benefits**	2	51	53	4	(7)	(3)
Loss on financial asset disposal	–	–	–	–	3	3
Cash flow hedge recycling	–	–	–	(2)	–	(2)
Decrease/(increase) in inventories	(57)	–	(57)	(20)	4	(16)
Decrease/(increase) in trade and other receivables	(73)	(4)	(77)	(35)	35	–
Increase/(decrease) in trade and other payables	(11)	23	12	(5)	7	2
Increase/(decrease) in provisions	12	(39)	(27)	9	(55)	(46)
Cash generated from operations	556	(182)	374	656	(64)	592
Interest paid	(65)	–	(65)	(63)	–	(63)
Interest received	40	–	40	40	–	40
Tax paid	(108)	–	(108)	(113)	–	(113)
Net cash inflow from operating activities	423	(182)	241	520	(64)	456
– continuing operations	317	(63)	254	334	(42)	292
– discontinued operations	106	(119)	(13)	186	(22)	164

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations

** The retirement benefits within non-headline operating activities principally relate to employer contributions to legacy defined benefit and post-retirement healthcare plans.

NOTES TO THE ACCOUNTS CONTINUED

Headline cash measures

The Group measure of headline operating cash excludes interest and tax, and includes capital expenditure supporting organic growth. The Group uses operating cash-flow for the calculation of cash conversion and free cash-flow for management of capital purposes. See note 30 for additional details.

The table below reconciles the Group's net cash-flow from operating activities to headline operating cash-flow and free cash-flow:

	Year ended 31 July 2026			Year ended 31 July 2025		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Net cash inflow from operating activities	423	(182)	241	520	(64)	456
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(67)	–	(67)	(80)	–	(80)
Repayment of lease liabilities	(41)	–	(41)	(41)	–	(41)
Disposals of property, plant and equipment	8	–	8	–	–	–
Investment in financial assets	(1)	–	(1)	–	–	–
Transaction costs and separation-related expenses for strategic divestments	–	114	114	–	–	–
Funding of charitable foundation	–	2	2	–	1	1
Free cash-flow			256			336
Exclude:						
Investment in financial assets	1	–	1	–	–	–
Repayment of lease liabilities	41	–	41	41	–	41
Interest paid	65	–	65	63	–	63
Interest received	(40)	–	(40)	(40)	–	(40)
Tax paid	108	–	108	113	–	113
Transaction costs and separation-related expenses for strategic divestments	–	(114)	(114)	–	–	–
Funding of charitable foundation	–	(2)	(2)	–	(1)	(1)
Operating cash-flow	497	(182)	315	576	(64)	512
– continuing operations	384	(63)	321	377	(42)	335
– discontinued operations	113	(119)	(6)	199	(22)	177

Headline cash conversion – continuing operations

Headline operating cash conversion for the Group's continuing operations is calculated as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Headline operating profit	399	388
Headline operating cash-flow	384	377
Headline operating cash conversion	96%	97%

Reconciliation of free cash-flow to net movement in cash and cash equivalents:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Free cash-flow	256	336
Disposal of financial assets	–	53
Disposal of subsidiaries – post-sale expenses	–	(12)
Disposal of businesses	3,245	–
Acquisition of businesses	(159)	(121)
Acquisition of business – discontinued operation	(6)	–
Acquisition of business – deferred consideration	(11)	–
Transaction costs and separation-related expenses for strategic divestments	(114)	–
Funding of charitable foundation	(2)	(1)
Other net cash-flows used in financing activities (note: repayment of lease liabilities is included in free cash-flow)	(468)	(476)
Net (decrease)/increase in cash and cash equivalents	2,741	(221)

30. Alternative performance measures and key performance indicators

The Group uses several alternative performance measures (APMs) in order to provide additional useful information on underlying trends and the performance and position of the Group. APMs are non-GAAP and not defined by IFRS; therefore, they may not be directly comparable with other companies' APMs and should not be considered a substitute for IFRS measures.

The Group uses these measures, which are common across the industry, for planning and reporting purposes, to enhance the comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and by credit rating agencies.

NOTES TO THE ACCOUNTS CONTINUED

We have identified and defined the following key measures which are used within the business by management to assess the performance of the Group's businesses:

APM term	Definition and purpose
Capital employed	Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows: – To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; and – To eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of deferred tax, and net debt. It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.
Capital expenditure	Comprises additions to property, plant and equipment, capitalised development and other intangible assets, excluding assets acquired through business combinations: see note 1 for an analysis of capital expenditure. This measure quantifies the level of capital investment into ongoing operations.
Headline operating profit (HOP)	HOP comprises divisional earnings before central costs, finance costs and taxation. HOP is used to monitor divisional performance. A reconciliation of HOP to operating profit is shown in note 1.
Free cash-flow	Free cash-flow is calculated by adjusting the net cash inflow from operating activities to include capital expenditure, the repayment of lease liabilities, the proceeds from the disposal of property, plant and equipment and the investment in financial assets relating to operating activities. The measure shows cash generated by the Group before discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash-flow is shown in note 29.
Gross debt	Gross debt is total borrowings (bank, bonds and lease liabilities). It is used to provide an indication of the Group's overall level of indebtedness. See note 18 for an analysis of gross debt.
Headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This measure is used by the Group to measure and monitor performance excluding material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.

APM term	Definition and purpose
Headline EBITDA	EBITDA is a widely used profit measure, not defined by IFRS, being earnings before interest, taxation, depreciation and amortisation. A reconciliation of headline operating profit to headline EBITDA is shown in the note below.
Net debt	Net debt is total borrowings (bank, bonds and lease liabilities) less cash balances and derivatives used to manage the interest rate risk and currency profile of the debt. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. See note 18 for an analysis of net cash/(debt).
Non-headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This is used by the Group to measure and monitor material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Operating cash-flow	Comprises free cash-flow and excludes cash-flows relating to the repayment of lease liabilities, interest and taxation. The measure shows how cash is generated from operations in the Group. A reconciliation of operating cash-flow is shown in note 29.
Operating profit	Operating profit is earnings before finance costs and tax. A reconciliation of operating profit to profit before tax is shown on the income statement on page 107. This common measure is used by the Group to measure and monitor performance.
Return on capital employed (ROCE)	Smiths ROCE is calculated over a rolling 12-month period and is the percentage that headline operating profit represents of the monthly average capital employed on a rolling 12-month basis. This measure of return on invested resources is used to monitor performance and capital allocation within the Group. See below for Group ROCE and note 1 for divisional headline operating profit and divisional capital employed.

The key performance indicators (KPIs) used by management to assess the performance of the Group's businesses are as follows:

KPI term	Definition and purpose
Dividend cover – headline	Dividend cover is the ratio of headline earnings per share (see note 5) to dividend per share (see note 25). This commonly used measure indicates the number of times the dividend in a financial year is covered by headline earnings.



NOTES TO THE ACCOUNTS CONTINUED

KPI term	Definition and purpose
Headline Earnings per share (EPS) growth	Headline EPS growth is the growth in headline basic EPS (see note 5), on a reported basis. Headline EPS growth is used to measure and monitor performance.
Free cash-flow (as a % of operating profit)	This measure is defined as free cash-flow divided by headline operating profit averaged over a three-year performance period. This cash generation measure is used by the Group as a performance measure for remuneration purposes.
Greenhouse gas (GHG) emissions reduction	GHG reduction is calculated as the percentage change in absolute Scope 1 & 2 GHG emissions. This measure is used to monitor environmental performance.
My Say engagement score	The overall score in our My Say employee engagement survey. The biannual survey is undertaken Group-wide. This measure is used by the Group to monitor employee engagement.
Operating cash conversion	Comprises headline operating cash-flow, excluding restructuring costs, as a percentage of headline operating profit. This measure is used to show the proportion of headline operating profit converted into cash-flow from operations before investment, finance costs, non-headline items and taxation. The calculation is shown in note 29.
Operating profit margin	Operating profit margin is calculated by dividing headline operating profit by revenue. This measure is used to monitor the Group's ability to drive profitable growth and control costs.
Organic growth	Organic growth adjusts the movement in headline performance to exclude the impact of foreign exchange and acquisitions. Organic growth is used by the Group to aid comparability when monitoring performance.
Organic revenue growth (remuneration)	Organic revenue growth (remuneration) is compounded annualised growth in revenue after excluding the impact of foreign exchange and acquisitions. The measure used for remuneration differs from organic revenue growth in that it is calculated on a compounded annualised basis. This measure has historically been used by the Group for aligning remuneration with business performance.
Percentage of senior leadership positions taken by females	Percentage of senior leadership positions taken by females is calculated as the percentage of senior leadership roles (G14+ group) held by females. This measure is used by the Group to monitor diversity performance.
RD&E cash costs as a % of sales	This measure is defined as the cash cost of research, development, and customer-specific engineering activities (RD&E) as a percentage of revenue. RD&E includes capitalised RD&E, RD&E directly charged to the P&L and customer-funded projects. Innovation is an important driver of sustainable growth for the Group and this measures our investment in research and development to drive innovation.

KPI term	Definition and purpose
Recordable Incident Rate (RIR)	Recordable Incident Rate is calculated as the number of recordable incidents – where an incident requires medical attention beyond first aid – per 100 colleagues, per year across Smiths. This measure is used by the Group to monitor health and safety performance.

Capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998 of £433m (FY2025: £478m), to eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of related tax, and net debt.

	Notes	31 July 2026 £m	31 July 2025 £m
Net assets		2,605	2,060
Adjust for:			
Goodwill recognised directly in reserves		433	478
Retirement benefit assets and obligations	8	48	(32)
Tax related to retirement benefit assets and obligations		(1)	18
John Crane, Inc. litigation provisions and related tax	23	116	145
Titeflex Corporation litigation provisions and related tax	23	22	20
Net (cash)/debt (excludes £2m of net debt held in discontinued operations)	18	(1,747)	441
Capital employed		1,476	3,130

Return on capital employed (ROCE)

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Headline operating profit for previous 12 months – including discontinued operations		608	580
Amortisation and depreciation paused under IFRS5		(36)	–
		572	580
Average capital employed – total Group	1	3,014	3,204
ROCE - total Group		19.0%	18.1%
Continuing Operations ROCE		23.5%	24.5%

NOTES TO THE ACCOUNTS CONTINUED

Total Group revenue and headline operating profit

Revenue and headline operating profit for the total Smiths Group including discontinued operations is calculated as follows:

Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Revenue		
Continuing operations	1,937	1,898
Discontinued operations	1,220	1,438
Total Group	3,157	3,336
Headline operating profit		
Continuing operations	399	388
Discontinued operations	209	192
Total Group	608	580

* Results for the year ended 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations.

Credit metrics

Smiths Group monitors the ratio of net debt to headline EBITDA as part of its management of credit ratings; see note 26 for details. This ratio is calculated as follows:

Headline earnings before interest, tax, depreciation and amortisation (headline EBITDA)

Notes	Year ended 31 July 2026 Continuing operations £m	Year ended 31 July 2025 Total operations* £m
Headline operating profit		
	399	580
Exclude:		
– depreciation of property, plant and equipment	22	43
– depreciation of right of use assets	23	34
– amortisation and impairment of development costs	–	10
– amortisation of software, patents and intellectual property	3	15
Headline EBITDA	447	682

Ratio of net debt to headline EBITDA

Notes	Year ended 31 July 2026 Continuing operations £m	Year ended 31 July 2025 Total operations* £m
Headline EBITDA		
	447	682
Net (cash)/debt (FY2025 includes £21m of net cash from discontinued operations)	18	(1,747)
Ratio of net (cash)/debt to headline EBITDA	(3.9)	0.6

* Results for the comparative period in the credit metrics tables above include discontinued operations.

31. Post balance sheet events

Details of the proposed final dividend announced since the end of the reporting period are in note 25.

32. Audit exemption taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act for FY2026.

Company name	Company number
EIS Group Limited	61407
Flexibox International Limited	394688
Flex-Tek Group Limited	11545405
SI Properties Limited	160881
Smiths Finance Limited	7888063
Smiths Group Innovation Limited	10953689
Smiths Pensions Limited	2197444

UNAUDITED GROUP FINANCIAL RECORD 2022–2026

Unaudited Group financial record 2022–2026

		Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m
Income statement metrics – headline*						
Continuing operations	Revenue	1,937	1,898	2,778	3,037	2,566
	Headline operating profit	399	388	477	501	417
	Headline profit before tax	363	361	440	466	376
Discontinued operations	Revenue	1,220	1,438	354	–	356
	Headline operating profit	209	192	49	–	66
	Headline profit before tax	210	188	48	–	65
Income statement metrics – statutory**						
Revenue		1,937	1,898	2,778	3,037	2,566
Operating profit		289	347	369	403	117
Profit before taxation		245	317	327	360	103
Profit for the year		1,972	292	222	232	1,035
Balance sheet metrics***						
Net cash/(debt)		1,747	(462)	(213)	(387)	(150)
Shareholders' equity		2,582	2,036	2,230	2,384	2,699
Average capital employed		3,014	3,204	3,206	3,196	2,940
Ratios						
Headline operating profit: revenue (%) **		20.6	20.5	17.1	16.5	16.5
Headline effective tax rate (%)**		24.4	22.7	25.0	26.0	27.2
Return on capital employed (%)**		23.5	24.5	16.4	15.7	14.2
Return on shareholders' funds (%)***		15.3	15.6	13.0	11.3	10.0
Cash-flow metrics						
Headline operating cash**		384	377	509	433	318
Headline operating cash conversion (%)**		96	97	97	86	76
Free cash-flow***		256	336	298	178	130
Free cash-flow per share (p)***		86.5	101.9	86.4	51.0	35.9
Earnings per share***						
Headline earnings per share (p)		135.7	121.2	105.5	97.5	82.5
Dividends and dividend cover***						
Pence per share		48.5	46.00	43.75	41.60	39.60
Headline dividend cover		2.8	2.6	2.4	2.3	2.1

* The headline income statement metrics in the above five-year record have been presented to classify the Smiths Detection and certain Flex-Tek General Industrial businesses as a discontinued operation in FY2025, the Smiths Interconnect business as a discontinued operation in FY2025 and FY2024 and the Smiths Medical business as a discontinued operation in FY2022.

** The statutory income statement metrics, income statement ratios and operating cash-flow metrics are presented based on continuing operations for both the current and FY2025 comparative year.

*** Balance sheet metrics, ratios, cash-flow metrics, earnings per share, dividend cover and number of employees are presented based on both continuing and discontinued operations for all years.

UNAUDITED US DOLLAR PRIMARY STATEMENTS

Unaudited supplementary consolidated income statement – US dollar translation

	Year ended 31 July 2026			Year ended 31 July 2025 - represented		
	Headline \$m	Non-headline (note 3) \$m	Total \$m	Headline \$m	Non-headline (note 3) \$m	Total \$m
CONTINUING OPERATIONS						
Revenue	2,598	–	2,598	2,467	–	2,467
Operating costs	(2,063)	(148)	(2,211)	(1,962)	(53)	(2,015)
Operating profit/(loss)	535	(148)	387	505	(53)	452
Interest income	59	–	59	48	–	48
Interest expense	(107)	–	(107)	(84)	5	(79)
Other financing losses	–	(17)	(17)	–	(14)	(14)
Other finance charges – retirement benefits	–	7	7	–	5	5
Finance costs	(48)	(10)	(58)	(36)	(4)	(40)
Profit/(loss) before taxation	487	(158)	329	469	(57)	412
Taxation	(119)	1	(118)	(107)	25	(82)
Profit/(loss) for the year	368	(157)	211	362	(32)	330
DISCONTINUED OPERATIONS						
Profit from discontinued operations	205	2,229	2,434	173	(123)	50
PROFIT/(LOSS) FOR THE YEAR	573	2,072	2,645	535	(155)	380
Profit/(loss) for the year attributable to:						
Smiths Group shareholders – continuing operations	365	(157)	208	359	(32)	327
Smiths Group shareholders – discontinued operations	205	2,229	2,434	173	(123)	50
Non-controlling interests	3	–	3	3	–	3
	573	2,072	2,645	535	(155)	380
EARNINGS PER SHARE						
Basic			843.3c			111.4c
Basic – continuing			66.4c			96.8c
Diluted			839.8c			110.9c
Diluted – continuing			66.1c			96.3c

Assets and liabilities have been translated into US dollars at the exchange rate at the date of that balance sheet and income, expenses and cash-flows are translated at average exchange rates for the period. This reflects the accounting approach that Smiths Group plc would use if the Group moved to reporting in US dollars without making any changes to its Group structure or financing arrangements.

UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

Unaudited supplementary consolidated statement of comprehensive income – US dollar translation

	Year ended 31 July 2026 \$m	Year ended 31 July 2025 \$m
Profit for the year	2,645	380
Other comprehensive income (OCI):		
OCI which will not be reclassified to the income statement:		
Re-measurement of post-retirement benefits assets and obligations	(94)	(4)
Taxation on post-retirement benefits movements	19	–
Fair value movements on financial assets at fair value through OCI	–	10
	(75)	6
OCI which will be reclassified and reclassifications:		
Fair value gains/(losses) and reclassification adjustments:		
– deferred in the year on cash-flow and net investment hedges	4	(1)
– reclassified to income statement on cash-flow and net investment hedges	(1)	3
	3	2
Foreign exchange (FX) movements net of recycling:		
Exchange losses on translation of foreign operations	(20)	(45)
Exchange gains recycled to the income statement on disposal of business	(47)	–
	(67)	(45)
Total other comprehensive income, net of taxation	(139)	(37)
TOTAL COMPREHENSIVE INCOME	2,506	343
Attributable to:		
Smiths Group shareholders	2,507	340
Non-controlling interests	(1)	3
	2,506	343
Total comprehensive income attributable to Smiths Group shareholders arising from:		
Continuing operations	26	314
Discontinued operations	2,481	26
	2,507	340

UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

Unaudited supplementary consolidated balance sheet – US dollar translation

	31 July 2026 \$m	31 July 2025 \$m		31 July 2026 \$m	31 July 2025 \$m
NON CURRENT ASSETS			SHAREHOLDERS' EQUITY		
Intangible assets	840	1,698	Share capital	149	164
Property, plant and equipment	280	323	Share premium account	492	483
Right of use assets	128	131	Capital redemption reserve	59	41
Financial assets – other investments	8	8	Merger reserve	316	311
Retirement benefit assets	3	169	Retained earnings	2,562	1,935
Deferred tax assets	105	130	Hedge reserve	(101)	(242)
Trade and other receivables	105	119	TOTAL SHAREHOLDERS' EQUITY	3,477	2,692
Financial derivatives	–	13	Non-controlling interest equity	31	32
	1,469	2,591	TOTAL EQUITY	3,508	2,724
CURRENT ASSETS					
Inventories	382	775			
Current tax receivable	12	26			
Trade and other receivables	624	974			
Cash and cash equivalents	3,981	258			
Financial derivatives	28	9			
Assets held for sale	18	670			
	5,045	2,712			
TOTAL ASSETS	6,514	5,303			
CURRENT LIABILITIES					
Financial liabilities – borrowings	(758)	(4)			
Financial liabilities – lease liabilities	(32)	(38)			
Financial liabilities – financial derivatives	(3)	(3)			
Provisions for liabilities and charges	(61)	(74)			
Trade and other payables	(909)	(898)			
Current tax payable	(47)	(87)			
Liabilities held for sale	(9)	(140)			
	(1,819)	(1,244)			
NON CURRENT LIABILITIES					
Financial liabilities – borrowings	(723)	(735)			
Financial liabilities – lease liabilities	(108)	(104)			
Financial liabilities – financial derivatives	(30)	–			
Provisions for liabilities and charges	(215)	(262)			
Retirement benefit obligations	(67)	(127)			
Deferred tax liabilities	(31)	(57)			
Trade and other payables	(13)	(50)			
	(1,187)	(1,335)			
TOTAL LIABILITIES	(3,006)	(2,579)			
NET ASSETS	3,508	2,724			

UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

Unaudited supplementary consolidated statement of changes in equity – US dollar translation

	Share capital and share premium \$m	Other reserves \$m	Retained earnings \$m	Hedge reserve \$m	Equity shareholders' funds \$m	Non-controlling interest \$m	Total equity \$m
At 31 July 2025	647	352	1,935	(242)	2,692	32	2,724
Profit for the year	–	–	2,642	–	2,642	3	2,645
Other comprehensive income:							
– re-measurement of retirement benefits after tax	–	–	(75)	–	(75)	–	(75)
– FX movements net of recycling	11	6	(166)	137	(12)	(4)	(16)
– fair value gains and related tax	–	–	–	4	4	–	4
Total comprehensive income for the year	11	6	2,401	141	2,559	(1)	2,558
Transactions relating to ownership interests:							
Purchase of shares by Employee Benefit Trust	–	–	(58)	–	(58)	–	(58)
Proceeds received on exercise of employee share options	–	–	3	–	3	–	3
Share buybacks	(17)	17	(1,554)	–	(1,554)	–	(1,554)
Dividends:							
– equity shareholders	–	–	(200)	–	(200)	–	(200)
Share-based payment	–	–	35	–	35	–	35
At 31 July 2026	641	375	2,562	(101)	3,477	31	3,508

	Share capital and share premium \$m	Other reserves \$m	Retained earnings \$m	Hedge reserve \$m	Equity shareholders' funds \$m	Non-controlling interest \$m	Total equity \$m
At 31 July 2024	636	334	2,130	(236)	2,864	28	2,892
Profit for the year	–	–	377	–	377	3	380
Other comprehensive income:							
– re-measurement of retirement benefits after tax	–	–	(4)	–	(4)	–	(4)
– FX movements net of recycling	19	10	14	(8)	35	1	36
– fair value gains and related tax	–	–	10	2	12	–	12
Total comprehensive income for the year	19	10	397	(6)	420	4	424
Transactions relating to ownership interests:							
Purchase of shares by Employee Benefit Trust	–	–	(30)	–	(30)	–	(30)
Proceeds received on exercise of employee share options	(8)	8	1	–	1	–	1
Share buybacks	–	–	(394)	–	(394)	–	(394)
Dividends:							
– equity shareholders	–	–	(198)	–	(198)	–	(198)
Share-based payment	–	–	29	–	29	–	29
At 31 July 2025	647	352	1,935	(242)	2,692	32	2,724

UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

Unaudited supplementary consolidated cash-flow statement – US dollar translation

	Year ended 31 July 2026 \$m	Year ended 31 July 2025 \$m
Net cash inflow from operating activities	323	593
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on capitalised development	–	(5)
Expenditure on other intangible assets	(4)	(5)
Purchases of property, plant and equipment	(86)	(94)
Disposals of property, plant and equipment	11	–
(Investment in)/Income from financial assets	(1)	69
Acquisition of businesses	(213)	(157)
Acquisition of businesses related to discontinued operations	(8)	–
Acquisition of business - deferred consideration	(15)	–
Proceeds on disposal of subsidiaries, net of cash disposed	4,352	(16)
Net cash-flow used in investing activities	4,036	(208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buybacks	(1,125)	(394)
Purchase of shares by Employee Benefit Trust	(58)	(30)
Proceeds received on exercise of employee share options	3	1
Settlement of cash-settled options	–	(1)
Dividends paid to equity shareholders	(200)	(198)
Lease payments	(55)	(53)
Reduction and repayment of borrowings	758	–
Cash inflow from matured derivative financial instruments	(5)	3
Net cash-flow used in financing activities	(682)	(672)
Net increase/(decrease) in cash and cash equivalents	3,676	(287)
Cash and cash equivalents at beginning of year	258	589
Reclassified to assets held for sale	42	(41)
Exchange differences	5	(3)
Cash and cash equivalents at end of year	3,981	258
Cash and cash equivalents at end of year comprise:		
– cash at bank and in hand	135	135
– short-term deposits	3,846	123
	3,981	258

SMITHS GROUP PLC COMPANY ACCOUNTS

Company balance sheet

	Notes	31 July 2026 £m	31 July 2025 £m
NON CURRENT ASSETS			
Property, plant and equipment	2	2	3
Investments	3	2,261	2,255
Loans due from subsidiaries	3	–	1,410
Financial derivatives	9	–	10
Retirement benefit assets	10	–	128
		2,263	3,806
CURRENT ASSETS			
Trade and other receivables	5	57	57
Cash and cash equivalents	7	2,843	85
Financial derivatives	9	21	8
		2,921	150
TOTAL ASSETS		5,184	3,956
CURRENT LIABILITIES			
Borrowings	7	(556)	–
Trade and other payables	6	(403)	(105)
Financial derivatives	9	(5)	(8)
		(964)	(113)
NON CURRENT LIABILITIES			
Borrowings	7	(537)	(563)
Loans due to subsidiaries		(36)	(2)
Provisions for liabilities and charges	8	(1)	(1)
Retirement benefit liabilities	10	(35)	(35)
Financial derivatives	9	(22)	–
		(631)	(601)
TOTAL LIABILITIES		(1,595)	(714)
NET ASSETS		3,589	3,242

	Notes	31 July 2026 £m	31 July 2025 £m
SHAREHOLDERS EQUITY			
Called up share capital	11	111	124
Share premium account	11	365	365
Capital redemption reserve	11	44	31
Other reserves	11	183	181
Profit and loss account	11	2,886	2,541
TOTAL EQUITY		3,589	3,242

The Company's profit for the period was £1,729m (FY2025: £1,528m profit).

The accounts on pages 173 to 180 were approved by the Board of Directors on 21 September 2026 and were signed on its behalf by:

Roland Carter

Chief Executive Officer

Julian Fagge

Chief Financial Officer

Smiths Group plc – registered number 137013

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

Company statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained profit £m	Shareholders' equity £m
At 31 July 2025	124	365	31	181	2,541	3,242
Profit for the year	–	–	–	–	1,729	1,729
Other comprehensive income:						
– re-measurement of retirement benefits	–	–	–	–	(72)	(72)
– taxation recognised on retirement benefits	–	–	–	–	13	13
– fair value gains	–	–	–	2	–	2
Total comprehensive income for the year	–	–	–	2	1,670	1,672
Transactions with owners:						
Purchase of shares by Employee Benefit Trust	–	–	–	–	(43)	(43)
Proceeds received on exercise of employee share options	–	–	–	–	2	2
Shares purchased under a buyback programme	(13)	–	13	–	(1,159)	(1,159)
Dividends paid to equity shareholders	–	–	–	–	(149)	(149)
Share-based payment	–	–	–	–	24	24
Total transactions with owners recognised in equity	(13)	–	13	–	(1,325)	(1,325)
At 31 July 2026	111	365	44	183	2,886	3,589

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained profit £m	Shareholders' equity £m
At 31 July 2024	130	365	25	181	1,471	2,172
Profit for the year	–	–	–	–	1,528	1,528
Other comprehensive income:						
– re-measurement of retirement benefits	–	–	–	–	(3)	(3)
– taxation recognised on retirement benefits	–	–	–	–	1	1
Total comprehensive income for the year	–	–	–	–	1,526	1,526
Transactions with owners:						
Purchase of shares by Employee Benefit Trust	–	–	–	–	(23)	(23)
Proceeds received on exercise of employee share options	–	–	–	–	1	1
Shares purchased under a buyback programme	(6)	–	6	–	(303)	(303)
Dividends paid to equity shareholders	–	–	–	–	(152)	(152)
Share-based payment	–	–	–	–	21	21
Total transactions with owners recognised in equity	(6)	–	6	–	(456)	(456)
At 31 July 2025	124	365	31	181	2,541	3,242

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

Company accounting policies**Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These accounts have been prepared on a going concern basis and under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities held at fair value.

As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement and statement of comprehensive income have not been presented. As permitted by Section 408(2), information about the Company's employee numbers and costs is not presented.

Going concern

The Directors are satisfied that the Group, (of which the Company is the holding company) has adequate resources to continue to operate for a period not less than 12 months from the date of approval of the financial statements and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting. Details of the going concern assessment for the Group are provided in the accounting policies note of the consolidated financial statements.

Exemptions from the requirements of IFRS applied in accordance with FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1; and
 - paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) [statement of cash-flows];
 - 16 [statement of compliance with all IFRS];
 - 38A [requirement for minimum of two primary statements, including cash flow statements];
 - 38B-D [additional comparative information];
 - 111 [cash flow statement information]; and
 - 134-136 [capital management disclosures].

- IAS 7, 'Statement of cash-flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- The requirements of paragraphs 52 and 58 of IFRS 16 Leases.

Significant judgements, key assumptions and estimates

The preparation of the accounts in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The key sources of estimation uncertainty together with the significant judgements and assumptions used in these Parent Company financial statements are set out below.

Significant judgements made in applying accounting policies**Taxation**

The Company has recognised deferred tax assets of £nil (FY2025: £23m) relating to revenue losses brought forward. The decision to recognise deferred tax assets requires judgement in determining whether the Company will be able to utilise historical tax losses in future periods. Management has concluded that the recognition criteria under IAS 12 are not met.

Other judgements made in applying accounting policies**Retirement benefits**

At 31 July 2026 the Company has recognised £nil of retirement benefit assets (FY2025: £128m), which arises from the rights of the employers to recover the surplus at the end of the life of the scheme.

The recognition of a retirement benefit surplus requires judgement to determine whether an unconditional right of refund exists based on the provision of the relevant Trust deed and rules. For FY2025, having taken legal advice, it had been determined that an unconditional right of refund did exist and therefore the surplus was recoverable by the Company and could be recognised at that time.

Following the completion of transactions to secure remaining uninsured pension liabilities and de-recognise liabilities where the legal obligation for payment of benefits has been transferred to insurers, the Company no longer has an unconditional right to a refund, and so has placed an economic benefit value of zero on the surplus for FY2026.

Further details are disclosed in note 8 to the consolidated financial statements.

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED**Significant accounting policies****Foreign currencies**

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Investments in and loans to Group companies

The Company's investments in shares in Group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises.

The recoverability of intercompany loans is assessed applying the methodology of IFRS 9 by looking at the credit quality of the subsidiary and any support available to the entity. These calculations require the use of estimates including projected future cash-flows and other future events. The application of the expected credit loss model has not had a material impact on the Company's loan receivables provisioning position.

Financial instruments

The policies disclosed in the Group accounting policies on pages 112 to 119 for recognition, measurement and presentation of financial instruments are applied in the Company accounts.

Taxation

Deferred tax is provided using the balance sheet liability method. A deferred tax asset is recognised where it is probable that future taxable income will be sufficient to utilise the available relief.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions

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

Provisions are discounted where the time value of money is material.

Retirement benefits

The Company has both defined benefit and defined contribution plans. The policies disclosed in the Group accounting policies on pages 112 to 119 for recognition, measurement and presentation of retirement benefits are applied in the Company accounts. Note 8 to the consolidated accounts explains the valuation basis for the Company's retirement benefit schemes assets and liabilities.

Share-based payment

The Company operates a number of employee benefit equity-settled and cash-settled share-based compensation plans.

The fair value of the share awards and share options granted is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the profit and loss account and the charge for grants to employees of other Group companies is recognised as an investment in the relevant subsidiary.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share awards that are likely to vest.

For cash-settled share-based payment schemes, a liability is recognised based on the fair value of the payment earned by the balance sheet date. For equity-settled share-based payment schemes, the corresponding credit is recognised directly in reserves.

Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

Intra-group financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be in the scope of IFRS 9 and accounts for them as such. Financial guarantee contracts issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

Notes to the Company accounts

1. Audit fee and Directors' emoluments

The audit fee paid to KPMG LLP for the Parent Company was £0.1m (FY2025: £0.1m).

Directors' emoluments in the year amounted to £7m (FY2025: £11m). Further information for the Executive Directors is available in the single figure remuneration table on page 81. Further information for the Non-executive Directors is available in the single figure remuneration table on page 88.

2. Property, plant and equipment

	Fixtures and fittings £m
Cost or valuation	
At 31 July 2024	3
Additions	–
At 31 July 2025	3
Additions	–
At 31 July 2026	3
Depreciation	
At 31 July 2024	–
Charge for the year	–
At 31 July 2025	–
Charge for the year	(1)
At 31 July 2026	(1)
Net book value at 31 July 2026	2
Net book value at 31 July 2025	3
Net book value at 31 July 2024	3

3. Investments and loans due from subsidiaries

	Shares in subsidiary undertakings £m	Loans due from subsidiaries £m	Total £m
Cost or valuation			
At 31 July 2024	2,444	1	2,445
Foreign exchange rate movements	–	(9)	(9)
Contribution through share options	13	–	13
Increase in advances due from subsidiaries	–	1,419	1,419
Disposals	(69)	–	(69)
At 31 July 2025	2,388	1,411	3,799
Foreign exchange rate movements	–	–	–
Contribution through share options	14	–	14
Decrease in advances due from subsidiaries	–	(1,410)	(1,410)
Disposals	–	–	–
At 31 July 2026	2,402	1	2,403
Provision for impairment			
At 31 July 2024	5	1	6
Impairment charge for the year	128	–	128
At 31 July 2025	133	1	134
Impairment charge for the year	8	–	8
At 31 July 2026	141	1	142
Net book value at 31 July 2026	2,261	–	2,261
Net book value at 31 July 2025	2,255	1,410	3,665
Net book value at 31 July 2024	2,439	–	2,439

Loans due to subsidiaries are offset against loans due from subsidiaries only to the extent that there is a legal right of set-off. At 31 July 2026 £2,135m of loans receivable are offset against loans payable (FY2025: £1,242m). The Company has large offsetting loan balances because it uses loans to reduce its foreign currency exposures and separately monitor net cash generated from trading activities.

Loans due from subsidiaries are receivable at maturity, £nil (FY2025: £486m) are receivable between one and two years and £nil (FY2025: £924m) are receivable between two and five years.

The Company's subsidiaries are largely held according to business lines by the following holding companies, which are incorporated in England:

Smiths Group International Holdings Limited
John Crane Group Limited
Flex-Tek Group Limited

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

The principal subsidiaries and their countries of incorporation are:

England

John Crane UK Limited
Smiths Group International Holdings Limited

Other

John Crane Middle East FZE (UAE)
John Crane Technology (Tianjin) Co Limited (China)
John Crane Saudi Arabia Ltd (Saudi Arabia)
John Crane Canada Inc (Canada)

United States

John Crane, Inc.
Titeflex Corporation
Tutco, LLC
Royal Metal Products, LLC
Kreiser Manufacturing Corp
Smiths Tubular Systems – Laconia Inc.

Of the companies above, Smiths Group International Holdings Limited is 100% owned directly by the Company. The others are 100% owned through intermediate holding companies. Shareholdings are of ordinary shares or common stock. All of the above subsidiaries operate in their country of incorporation.

See pages 181 to 184 for a complete list of subsidiary undertakings.

4. Deferred tax assets and liabilities

The Company has recognised the following deferred tax assets and liabilities:

	Share-based payment £m	Retirement benefit obligations £m	Losses carried forward £m	Other £m	Total £m
At 31 July 2024	–	(24)	24	–	–
(Charge)/credit to income statement	–	–	(1)	–	(1)
Charge to equity	–	1	–	–	1
At 31 July 2025	–	(23)	23	–	–
(Charge)/credit to income statement	–	10	(23)	–	(13)
Charge to equity	–	13	–	–	13
At 31 July 2026	–	–	–	–	–

The Company is part of a UK tax group including all its UK-based subsidiaries. The Company has recognised deferred tax assets of £nil (FY2025: £23m) relating to revenue losses carried forward. The recognition of these assets is dependent on the ability to recover them against the unwind of other tax positions and forecast of the UK tax group. The treatment of these assets is reviewed regularly.

At 31 July 2026 the Company has unrecognised deferred tax assets of £102m (FY2025: £75m) relating to losses £98m (FY2025: £70m), share-based payments £2m (FY2025: £2m) and other £2m (FY2025: £3m).

Deferred tax has been calculated at a rate of 25% in both the current and prior years.

5. Trade and other receivables

	31 July 2026 £m	31 July 2025 £m
Amounts owed by subsidiaries	52	47
Other receivables	5	10
	57	57

Amounts owed by subsidiaries are unsecured and are either repayable on demand or at maturity on or before 31 July 2027.

6. Trade and other payables

	31 July 2026 £m	31 July 2025 £m
Amounts owed to subsidiaries	32	67
Other creditors	353	8
Accruals	18	30
	403	105

Other creditors includes £278m (FY2025: £nil) of accruals in respect of a non-cancellable share buy back commitment and £41m (FY2025: £nil) of accruals for shares purchased before the year end but have not yet been settled or cancelled, further details can be found in note 11 of the accounts.

7. Borrowings and net cash/(debt)

	31 July 2026 £m	31 July 2025 £m
Cash at bank	17	9
Short-term deposits	2,826	76
Cash and cash equivalents	2,843	85
Term loans falling due within one year	(556)	–
Term loans falling due after one year	(537)	(563)
Borrowings	(1,093)	(563)
Net cash/(debt)	1,750	(478)

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

Term loans

The currency and coupons for the term loans are disclosed in note 18 of the Group accounts.

	31 July 2026 £m	31 July 2025 £m
Less than one year	556	–
Between one and two years	–	563
Greater than five years	537	–
Smiths Group plc term loans	1,093	563

See the liquidity risk disclosures in note 19 in the Group accounts for information on the cash and borrowing facilities available to the Group. The Smiths Group has revolving credit facilities of US\$800m maturing on 5 May 2030.

8. Provisions for liabilities and charges

	At 31 July 2025 £m	Charged against profit £m	Utilisation £m	At 31 July 2026 £m
Disposals	1	–	–	1

The disposal provision related to warranties and other obligations in respect of a past disposal.

9. Derivatives

The tables below set out the nominal amount and fair value of derivative contracts held by the Company:

	At 31 July 2026			
	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Fair value Net £m
Foreign exchange contracts (not hedge accounted)	591	4	(5)	(1)
Cross-currency swaps (fair value and net investment hedges)	808	17	(22)	(5)
Total financial derivatives	1,399	21	(27)	(6)
Balance sheet entries				
Comprising:				
Non-current		–	(22)	(22)
Current		21	(5)	16
Total financial derivatives		21	(27)	(6)

At 31 July 2025

	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Fair value Net £m
Foreign exchange contracts (not hedge accounted)	824	8	(8)	–
Cross-currency swaps (fair value and net investment hedges)	240	10	–	10
Total financial derivatives	1,064	18	(8)	10
Balance sheet entries				
Comprising:				
Non-current		10	–	10
Current		8	(8)	–
Total financial derivatives		18	(8)	10

Derivatives, including forward exchange contracts, currency swaps, interest rate instruments and embedded derivatives are Level 2 fair value instruments and are valued at the net present value of the future cash-flows calculated using market data at the balance sheet date (principally exchange rates and yield curves).

The debit to the income statement arising from change in fair value in the year was £25m (FY2025: £23m credit).

10. Post-retirement benefits

The Company is the principal employer for the two major defined benefit plans in the UK. The Company is accounting for all the UK defined benefit schemes (funded and unfunded) and virtually all of the post-retirement healthcare schemes. The retirement benefit assets and liabilities comprise:

	31 July 2026 £m	31 July 2025 £m
Market value of scheme assets	1,213	2,136
Present value of funded scheme liabilities	(1,151)	(1,997)
Surplus restriction	(62)	(11)
Surplus	–	128
Unfunded pension plans	(32)	(33)
Post-retirement healthcare	(3)	(2)
Present value of unfunded obligations	(35)	(35)
Net pension (liability)/asset	(35)	93
Comprising:		
Retirement benefit assets	–	128
Retirement benefit liabilities	(35)	(35)
Net pension (liability)/asset	(35)	93

See the disclosures for UK schemes in note 8 to the consolidated accounts for the circumstances of the major schemes, risk management, principal assumptions, assets and liabilities and the funding position of the two major schemes.

SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

11. Share capital and reserves

Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares of 37.5p each			
Total share capital at 31 July 2024	345,097,794	130	
Shares purchased under a buyback programme	(15,413,491)	(6)	(303)
Total share capital at 31 July 2025	329,684,303	124	
Shares purchased under a buyback programme	(33,877,205)	(13)	(839)
Total share capital at 31 July 2026	295,807,098	111	

At 31 July 2026, all of the issued share capital was in free issue. All issued shares are fully paid. See note 9 to the Group consolidated financial statements for information about share schemes, including total shares under options and options exercisable at the balance sheet date.

Smiths Employee Benefit Trust

The retained earnings include the purchase of Smiths Group plc shares by Smiths Employee Benefit Trust (EBT). The EBT holds shares pending employees becoming entitled to them under the Company's share schemes and plans. The consideration paid was £43m (2025: £23m) and £2m (2025: £1m) was received as a result of employees exercising share options under the SAYE scheme. At 31 July 2026 the Trust held 1,493,880 (2025: 1,662,267) ordinary shares.

Distributable profits

Smiths Group plc, the Parent Company of the Group, holds investments in subsidiaries and operates as a financing entity for the Group. Its profits are derived from dividend receipts, royalties, corporate recharges, and loan interests from its subsidiary companies. Prior to the declaration of interim and final dividends to shareholders, the Board conducts a review of the level of distributable profits of the Parent Company. This ensures the profits provide sufficient coverage for dividend payments; see note 26 in the Group consolidated financial statements for a discussion of capital management and the factors which the Board considers when proposing dividends.

In accordance with the UK Companies Act 2006 Section 831(1), a public company may only make a distribution if, after fulfilling this distribution, the amount of its net assets is not less than the aggregate of its called-up share capital and non-distributable reserves as it appears in the relevant accounts. The Company establishes what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 02/17BL and the requirements of UK law.

Share buybacks

At 31 July 2026 the Group had provided its brokers with a non-cancellable instruction to purchase shares on the Group's behalf over the year end close period. It has been determined that this instruction has created a £278m financial liability for the present value of the redemption amount, this has been accrued for at the year end.

During the current year, the Company purchased and cancelled 33,877,205 shares for a total consideration of £839m. At 31 July 2026 1,561,624 shares were yet to settle and be cancelled, this has created a £41m financial liability that has been accrued for at the year end.

Profits available for distribution at 31 July 2026 and 31 July 2025 were comprised as follows:

	2026 £m	2025 £m
Net assets	3,589	3,242
Less:		
Issued share capital	(111)	(124)
Share premium	(365)	(365)
Capital redemption reserve	(44)	(31)
Other non-distributable reserves	(1,080)	(1,074)
Distributable profits	1,989	1,648

Other reserves

Other reserves of £181m arose from the cancellation of the share premium arising from an equity-funded acquisition in the year ended 30 July 1988.

Other reserves also includes £2m (FY2025: nil) of effective cash-flow hedges deferred in equity hedging market volatility on the 2033 Eurobond.

Differential between consolidated and Parent Company net assets

The Group's consolidated balance sheet shows net assets that are £984m lower (FY2025: £1,182m lower) than the net assets shown on the Parent Company's balance sheet. This deficit principally arose in 2007 when the Group returned £2.1bn of capital to shareholders, creating a net asset deficit of £1.9bn. Earnings retained within the Group have subsequently reduced this deficit.

12. Contingent liabilities

The Company has arranged letter of credit facilities to support the Group's pension plans. The current amount outstanding under letters of credit is £44m (FY2025: £44m).

The Company has guaranteed the US\$800m revolving credit facility available to a subsidiary.

13. Post balance sheet event

Details of the proposed final dividend announced since the end of the reporting period are given in note 25 to the Group consolidated financial statements.



SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of Smiths Group plc's related undertakings, the address and effective percentage owned by the Group, as at 31 July 2026, are disclosed below. The percentage held is 100% unless another holding is stated. Related undertakings include subsidiaries, associated undertakings, joint ventures and associates.

Wholly owned subsidiaries (direct ownership)

Name	Security	Address
CVE TRUSTEE LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
EIS GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FLIGHTSPARES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
ROOF UNITS (GROUP) LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
S.I. PENSION TRUSTEES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SI PROPERTIES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS AEROSPACE COMPONENTS TYSELEY LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS DETECTION LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS INDUSTRIES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS NOMINEES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS PENSIONS LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI CORPORATE SERVICES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TIGRUP NO. 7 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
XDG LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI PENSION TRUSTEE LIMITED	Guarantee	Level 10, 255 Blackfriars Road, London, SE1 9AX, England

Wholly owned subsidiaries (indirect ownership)

Name	Security	Address
AIR LOG LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
AMNITEC B.V.	Ordinary	Abraham van Stolkweg 118, Rotterdam, 3041 JA, Netherlands
AMNITEC LIMITED	Ordinary	Abercanaid, Merthyr Tydfil, Mid Glamorgan, CF48 1UX
CHANGSHU FLEX-TEK THERMAL FLUID SYSTEMS MANUFACTURER CO. LTD	Ordinary	No. 7, Factory Building, Maqiao Industrial Square, Changshu Economic Development Zone, Changshu, Jiangsu, 215536, China
DRC HEAT TRANSFER, LLC	Interest	208 S. LaSalle Street, Suite 814, Chicago, IL, 60604, United States
FLEXIBLE DUCTING MALAYSIA SDN BHD	Ordinary	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400, Kuala Lumpur, Malaysia
FLEXIBLE TECHNOLOGIES (CANADA) LTD	Ordinary	4610, Eastgate Parkway, Unit 3, Mississauga, ON, L4W 3W6, Canada
FLEXIBLE TECHNOLOGIES, LLC	Interest	155 Federal Street, Suite 700, Boston, MA, 02110, United States
FLEXIBOX INTERNATIONAL LIMITED	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
FLEXIBOX PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia
FLEX-TEK GROUP (US) LLC	Interest	500, Gould Drive, Cookeville, TN 38506, United States
FLEX-TEK GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FRANCIS SHAW AND COMPANY (MANCHESTER) LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England

SUBSIDIARY UNDERTAKINGS CONTINUED

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
FRANCIS SHAW LTD	Ordinary, Preference, Deferred	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FULTON BELLOWES LLC	Interest	2801 Red Dog Lane, Knoxville, TN, TN 37914, United States
HABIA TEKNOFLUOR AB	Ordinary	Habia Teknofluor AB, Knivsta, 74180, Sweden
HERKULES HOLDING GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
INDUFIL BV	Ordinary	Rijnpoot, Groningensingel 1, 6835 EA Arnhem, Netherlands, Netherlands, 6835
INDUSTRIAS JOHN CRANE MEXICO SA DE CV	Ordinary	679, Poniente 152, Vallejo Delegacion Azcapotzalco, Mexico City, Mexico, 2300
JOHN CRANE (ANGOLA) PRESTACAO DE SERVICES LTD	Ordinary	Rue Kwamme Nkrumah, Torres Impor-Africa, 3 Andar, APT A, Luanda, Angola
JOHN CRANE (IRELAND) LIMITED	Ordinary	T53/54, Shannon Industrial Estate, Shannon, Co. Clare, Ireland
JOHN CRANE (SWITZERLAND) AG	Ordinary	Hohenrainstrasse 10, 4133 Pratteln, Switzerland
JOHN CRANE (THAILAND) LIMITED	Ordinary	No.450 Sukhumvit Road, Huai Pong Sub-District, Mueang Rayong District, Rayong Province, Thailand
JOHN CRANE A.S.	Ordinary	Jana Sigmunda 78, Lutin, 783 49, Czech Republic
JOHN CRANE ARGENTINA SA	Ordinary	AV. Leandro N. Alem 1110, 13 Floor, Baker Mackenzie Office, Buenos Aires, Argentina
JOHN CRANE ASSET MANAGEMENT SOLUTIONS LIMITED	Ordinary	Grampian House, Mugiemoss Road, Bucksburn, Aberdeen, AB21 9NP, Scotland
JOHN CRANE AUSTRALIA PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia
JOHN CRANE BAKU LLC	Interest	32, Dostluq Street, Salyan Highway PO Box AZ1023, Baku, Azerbaijan
JOHN CRANE BELGIUM NV	Ordinary	Glasstraat 37, Antwerpen, 2170, Belgium
JOHN CRANE CANADA INC	Ordinary	423, Green North Road, Stoney Creek, Ontario, L8E 3A1, Canada
JOHN CRANE CARIBE LTD	Ordinary	654 Plaza, Suite #933, 654 Munoz Rivera Ave, San Juan, Puerto Rico, 00918
JOHN CRANE CHILE SA	Ordinary	Av. Presidente Eduardo Frei Montalva, Centro Empresarial El Cortijo, Conchali, Santiago, 6001-44, Chile
JOHN CRANE CHINA CO LIMITED	Ordinary	Room 1668, No. 14F Floor 3 Datong Building, Huanghe Avenue, Nankai District, Tianjin, China
JOHN CRANE COLOMBIA SA	Ordinary	Calle 46A No 82-54 Int 14, Parque Empressarial San Cayetano, Bogota, Colombia
JOHN CRANE DOMINICANA SA	Ordinary	Calle El Recodo, #2 Bella Vista, Santo Domingo, Dominican Republic
JOHN CRANE EGYPT LLC	Interest	139, Mogamaa El Masanea Street, El Amireya, Cairo, Egypt
JOHN CRANE EGYPT SEALING SYSTEMS LLC	Interest	139, Mogamaa El Masanea Street, El Amireya, Cairo, Egypt
JOHN CRANE FILTRATION TECHNOLOGIES GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
JOHN CRANE FRANCE SAS	Ordinary	114, Rue Jules Ferry, B.P.35, Deville-Les-Rouen, 76250, France
JOHN CRANE GMBH	Ordinary	Werner - Von - Siemens - STR.6, Fulda, 36041, Germany
JOHN CRANE GROUP LIMITED	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
JOHN CRANE HELLAS - ENGINEERED SEALING SYSTEMS MONOPROSOPI EPE	Ordinary	3a Fragkokklisias & Granikou Street, Maroussi, Attica, 151 25, Greece
JOHN CRANE HOLLAND BV	Ordinary	Bergen 9-17, Barendrecht, Zuid, 2993 LR, Netherlands
JOHN CRANE HUNGARY KFT	Ordinary	2045 Törökbálint, Tópark utca 9, Hungary
JOHN CRANE IBERICA SA	Ordinary	Cemento 1, Torrejon de Ardoz, Madrid, Spain
JOHN CRANE INC	Ordinary, Preference	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
JOHN CRANE INTERNATIONAL HOLDINGS INC.	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
JOHN CRANE ITALIA SPA	Ordinary	Via Giotto 3, Muggio, 20835, Italy
JOHN CRANE KAZAKHSTAN LLP	Interest	Building No.46, Street No. 1, Atyrau-2 Microdistrict, 04:066:004:543, Kazakhstan
JOHN CRANE KOREA CO LTD	Ordinary	Migeundong, WestgateTower 15F, 70 Chungjeong-ro, SEODAEMUN-GU, SEOUL, Korea (the Republic of)
JOHN CRANE MALAYSIA SDN. BHD.	Ordinary	No. 17, Jalan SIP 2, Suria Industrial Park, Sepang, Selangor, 43900, Malaysia
JOHN CRANE MIDDLE EAST FZE	Ordinary	S20113, Jebel Ali Free Zone, Dubai, 61040, United Arab Emirates



SUBSIDIARY UNDERTAKINGS CONTINUED

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
JOHN CRANE PERU SAC	Ordinary	Av. Guillermo Dansey 2124, Urbanizacion Industrial Conde, Lima, Peru
JOHN CRANE POLAND SP Z O.O.	Ordinary	1327, ul. Bielska, Poland, 43-374 Buczkowice
JOHN CRANE SAFEMATIC OY	Ordinary	PO BOX 10, Punasillantie 15, Muurame, 40950, Finland
JOHN CRANE SAUDI ARABIA LTD	Ordinary	129, Dammam Industrial City, Dammam, Saudi Arabia, 3243
JOHN CRANE SEALING SYSTEMS INDIA PRIVATE LIMITED	Ordinary	No. 11, 1ST Phase Peenya, Industrial Area, Bangalore, 560058, India
JOHN CRANE SINGAPORE PTE LIMITED	Ordinary	15 Tuas View Place, 637432, Singapore
JOHN CRANE SLOVAKIA SRO	Ordinary	Laurinská 18 - mest, mestská časť Staré Mesto, Bratislava, 811 01, Slovakia
JOHN CRANE SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE	Interest	Carretera Ciudad Victoria Matamoros, Km. 173+600, Colonia San Fernando Centro, Tamaulipas, San Fernando, CP 87600, Mexico
JOHN CRANE SVERIGE AB	Ordinary	Faltspatsgatan 4, SE-421 30 Vastra Frolunda, Sweden
JOHN CRANE (TAIWAN) CO., LTD.	Ordinary	324-4, Fengren Road, Renwu District, Kaohsiung City 81465, Taiwan
JOHN CRANE TECHNOLOGY (TIANJIN) CO LIMITED	Ordinary	No.9, No. 1, Haitai Huake Road, Huayuan Industrial District (Outside the ring), Binhai Hi-Tech, Industrial Park, Tianjin, China
JOHN CRANE UK LIMITED	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
JOHN CRANE VENEZUELA CA	Ordinary	Carretera Vía a Perijá, Km 8 ½, Avenida 50, Local N° 185-72, Zona Industrial El Silencio, Maracaibo, 4001, Venezuela
KREISLER INDUSTRIAL CORP	Ordinary	180 Van Riper Avenue, Elmwood Park, NJ, NJ 07407, United States
KREISLER MANUFACTURING CORP	Ordinary	180 Van Riper Avenue, Elmwood Park, NJ, NJ 07407, United States
LAKES REGION TUBULAR PRODUCTS INC.	Ordinary	51 Growth Road, Laconia, NH, 03246, United States
LLC JOHN CRANE RUS	Interest	B. Savvinsky Per., D. 11, Moscow, 119435, Russian Federation
MODULAR METAL FABRICATORS, INC.	Ordinary	24600, Nandina Ave, Moreno Valley, CA, 92551, United States
PLENTY INDIA LIMITED	Ordinary	D-196 Okhla Industrial Area, Phase-1, New Delhi, 110020, India
PROJECT SUGAR LIMITED	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
ROYAL METAL PRODUCTS, LLC	Interest	100 Royal Way, Temple, Georgia 30179, United States
SEEBACH GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
SEEBACH FILTER SOLUTIONS INDIA PVT. LTD.	Ordinary	No. 11, 1st Phase Peenya Industrial Area, Bangalore, 560058, India
SMITHS (SHANGHAI) MANAGEMENT CO., LTD.	Ordinary	3rd and 4th Floor, No. 1, Lane 65, Huanlong Road, Pudong New District, Shanghai, China
SMITHS AEROSPACE GLOUCESTER LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS BRASIL LTDA	Ordinary	Industrial District of the City of Rio Claro, State of Sao Paulo, Av. Brasil No. 4,700, CEP 13505-600, Brazil
SMITHS BUSINESS INFORMATION SERVICES LIMITED	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
SMITHS BUSINESS INFORMATION SERVICES, INC.	Ordinary	C T Corporation System, 357 East Center Street, Ste. 2J, Manchester, CT 06040-4471
SMITHS FINANCE LIMITED	Ordinary, Redeemable	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS GROUP HOLDINGS NETHERLANDS BV	Ordinary	Buckingham House, 361-366 Buckingham Avenue, Slough, Berkshire, SL1 4LU, England
SMITHS GROUP INNOVATION LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS GROUP INSURANCE LIMITED	Ordinary	Level 5, Mill Court, La Charroterie, St Peter Port, GY1 1EJ, Guernsey
SMITHS GROUP ITALIA SRL	Ordinary	Via Giotto 3, Muggio, 20835, Italy
SMITHS GROUP SERVICES CORPORATION	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS INDIA SERVICES PRIVATE LIMITED	Ordinary	Tower B Cummins India Office, Campus Floor 4 SN21 Balewadi, Baner Gaon, Pune, 411045, India
SMITHS TUBULAR SYSTEMS-LACONIA, INC	Ordinary	CT Corporation System, 9 Capitol Street, Concord, NH 03301, United States

SUBSIDIARY UNDERTAKINGS CONTINUED**Wholly owned subsidiaries (indirect ownership) continued**

Name	Security	Address
SMITHS WOLVERHAMPTON LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
STS TITEFLEX INDIA PVT LTD	Ordinary	No 38, KIADB Industrial Area, Bangalore, 561203, India
T I S A (FRANCE)	Ordinary	114, Rue Jules Ferry, B.P. 35, Deville-les-Rouen, 76250, France
THE DUC-PAC CORPORATION	Ordinary	1125 Page Boulevard, Springfield, MA, 01028, United States
TIGRUP NO. 14 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TITEFLEX COMMERCIAL, INC.	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
TITEFLEX CORPORATION	Ordinary	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801, United States
TITEFLEX EUROPE SAS	Ordinary	22, Avenue Maurice Chevalier, 77330 Ozoir-la-Ferriere, Paris, France
TUTCO, LLC	Interest	116, Pine Street, 3rd Floor, Suite 320, Harrisburg, PA 17101, United States
TUTCO DE MEXICO SRL DE CV	Interest	Avenida Prologis, Sin Número, Edificio 6, Suite 610, Colonia Prologis Park, Reynosa, Tamaulipas, C.P. 88780, Mexico
US HOSE CORP	Ordinary, Preference	815 Forestwood Drive, Romeoville, IL, IL 60446, United States
WATTCO INC.	Ordinary	121 Hymus Blvd, Pointe-Claire, QC, H9R 1E6, Canada

Non wholly-owned subsidiaries, including joint ventures, associates and investments

Name	Security	Address	% of Group ownership
JOHN CRANE JAPAN INC	Ordinary	2222, Kamitoyama Ritto City, Ritto-shi, Shiga-ken, Japan	70
JOHN CRANE PTY LTD	Ordinary	2, Jansen Road, Nuffield Industrial Sites, Springs Gauteng, South Africa, 1559	75
LLC JOHN CRANE ISKRA	Interest	28, Academica Vedeneeva Street, Perm, Permskiy Region, 614038, Russian Federation	50
PT JOHN CRANE INDONESIA	Ordinary	Cilandak Commercial Estate, Bldg 401A, Jl. KKO Cilandak, Jakarta 12560, Indonesia	99
XDG SERVICES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England	99

Overseas Branches

The Company does not operate through any branches. Some Group subsidiary companies have established branch operations outside the UK.

SUBSIDIARY UNDERTAKINGS CONTINUED

SHAREHOLDER INFORMATION

Financial calendar

	2026	2027 (provisional)
Announcement of FY2026 Results	22 September	
Dividend ex-dividend date	15 October	
Dividend record date	16 October	
Last DRIP election date	2 November	
Annual General Meeting	18 November	
Q1 Trading Update	18 November	
Dividend payment date	23 November	
Announcement of FY2027 Interim Results		23 March
Interim dividend ex-dividend date		8 April
Interim dividend record date		9 April
Last DRIP election date		23 April
Interim dividend payment date		16 May
Q3 Trading Update		26 May
FY2027 financial year end		31 July
Announcement of FY2027 Results		21 September

Registered Office

Smiths Group plc
Level 10, 255 Blackfriars Road, London, SE1 9AX
+44 (0)20 7004 1600
Incorporated in England & Wales
Company No. 137013
www.smiths.com

Registrars

Our share register is maintained by Equiniti. If you have any questions about your Smiths shares, please contact Equiniti.

Telephone:

T: + 44 (0)371 384 2943 (in the UK)

Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

For deaf and speech impaired customers, Equiniti welcomes calls via Relay UK. Please see www.relayuk.bt.com for more information.

Write to:

Equiniti Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 6DA.

Shareview:

Equiniti offers the Shareview portfolio service to investors. Visit www.shareview.co.uk to register for an account. Through Shareview you can access information about your investments, including balance movements and indicative share prices, as well as practical help about transferring your shares or updating your personal details.

Dividends

Smiths has not issued dividend cheques since November 2019. In order to have your dividends paid directly to your bank or building society account please contact Equiniti for a copy of the Bank Mandate Form, or register your nominated bank or building society account by visiting Shareview. By registering your account all future dividends will be paid securely by direct credit on the dividend payment date. Alternatively, Smiths offers a Dividend Reinvestment Plan. For more information, please visit our website or contact Equiniti.

Annual General Meeting (AGM)

The 2026 Smiths Group plc AGM will be held as a virtual meeting at 11.00am on Wednesday 18 November 2026 via the Lumi electronic meeting platform. Details of how to submit questions in advance, join, ask questions during the meeting and vote are contained in the Notice of AGM, which is a separate document sent to shareholders at least 20 working days before the AGM and made available on the Company's website. A recording of the AGM will be made available on the Company's website shortly after the meeting.

Shareholders who are unable to join the AGM are encouraged to appoint a proxy and submit voting instructions in advance. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrar no later than 11.00am on 16 November 2026 (or, in the case of any adjournment of the AGM, no later than 48 hours before the time fixed for the adjourned meeting) in order to be valid. Shareholders may submit proxy appointments electronically through Shareview. CREST members, CREST personal members and other CREST-sponsored members should consult the CREST Manual or their voting service provider for instructions on electronic proxy appointment and voting.

If you are in any doubt as to what action you should take in relation to the resolutions being proposed at the AGM, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

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Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest

Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO₂ and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.



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