

smiths

# Engineering a better future

Annual Report & Accounts FY2025



# WELCOME

## Our purpose

We focus on solving the toughest problems for our customers, helping address critical global needs such as decarbonisation and the ever-increasing demand for process and energy efficiency. We use our deep domain engineering expertise and strong practical knowledge to develop mission-critical products and services which support customers in energy, construction and industrial markets. We share the same goals: to build resilient businesses and create value from what we do.

We are pioneers of progress. Engineering a better future, we drive efficiency for customers in mission-critical situations.

We are united by our purpose. It is what we do, how we think, and how we will continue to use our passion for innovative engineering.

## 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

## Business descriptors in this report:

**Group** = John Crane, Flex-Tek, Smiths Detection, Smiths Interconnect

**Continuing operations** = John Crane, Flex-Tek, Smiths Detection

**Discontinued operations** = Smiths Interconnect

**Smiths** = John Crane, Flex-Tek

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

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## ABOUT THIS REPORT

This is the Smiths Group plc Annual Report & Accounts FY2025. Data presented in this report is for the 12 months to 31 July 2025 unless otherwise stated.

## ACCESS MORE INFORMATION



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# FY2025 HIGHLIGHTS



**ROLAND CARTER**  
Chief Executive Officer



This has been another successful year for the Group, building on our strong track record of consistent growth and returns. We exceeded our twice-raised organic revenue growth guidance, delivering +8.9% growth, and operating margin was 17.4%, at the top of our guided range. This strong performance reflects the quality of our business and agility managing ongoing macro-economic uncertainties.

Our order book and momentum in the business support our confidence in our positive outlook for FY2026, and we expect organic revenue growth of 4–6% and continuing margin expansion towards our medium-term targets.

FY2025 has been a pivotal year and the strategic actions we have announced to focus Smiths as a world-class industrial engineering company to unlock significant value and enhance returns to shareholders are well underway.

None of this would be possible without our dedicated people, and I would like to thank colleagues across Smiths for their support, diligence and commitment, particularly as we navigate a period of rapid change.

## Strong performance, ahead of guidance, and strategic actions progressing; delivering on our value creation strategy

- Group<sup>1</sup> delivered strong performance ahead of twice-raised growth guidance delivering +8.9% organic<sup>2</sup> revenue growth; +60bps organic operating profit margin expansion to 17.4%; +14.8% headline<sup>3</sup> EPS growth; 18.1% ROCE and 99% operating cash conversion
- Continuing operations<sup>1</sup> delivered +7.2% organic revenue growth; 17.3% operating profit margin and 18.3% ROCE
- Disciplined capital allocation and balance sheet strength: dividend +5.1%; £398m of £500m share buyback completed to 10 September; £121m invested in accretive acquisitions; 0.6x net debt/headline EBITDA
- Progressing well with the previously outlined strategic actions to focus Smiths as a high-performance industrial engineering business, to enhance growth, improve the financial profile and deploy capital to deliver strong cashflow and returns
- Separation processes for Smiths Interconnect and Smiths Detection progressing; continue to expect an announcement on Smiths Interconnect by end of December 2025
- Acceleration Plan on track – £22m of costs incurred in FY2025, with initial benefits being delivered; expected run-rate of £40–45m of benefits for FY2027 onwards
- FY2026 outlook (continuing operations) – expect organic revenue growth of 4–6%, with continuing margin expansion; remain confident in delivering our enhanced medium-term financial targets

Headline <sup>3</sup>	FY2025	FY2024	Reported	Organic <sup>2</sup>
<b>Group<sup>1</sup></b>				
Group revenue	<b>£3,336m</b>	£3,132m	+6.5%	<b>+8.9%</b>
Group operating profit	<b>£580m</b>	£526m	+10.3%	<b>+13.1%</b>
Group operating profit margin <sup>4</sup>	<b>17.4%</b>	16.8%	+60bps	<b>+60bps</b>
Basic EPS	<b>121.2p</b>	105.5p	+14.8%	
ROCE <sup>4</sup>	<b>18.1%</b>	16.4%	+170bps	
Operating cash conversion <sup>4</sup>	<b>99%</b>	97%	+2pps	
<b>Continuing operations</b>				
Revenue	<b>£2,915m</b>	£2,778m	+5.0%	<b>+7.2%</b>
Operating profit	<b>£505m</b>	£477m	+6.0%	<b>+8.5%</b>
Operating profit margin	<b>17.3%</b>	17.1%	+20bps	<b>+20bps</b>
ROCE	<b>18.3%</b>	n/a	–	
<b>Statutory</b>	<b>FY2025</b>	<b>FY2024</b>	<b>Reported</b>	
Revenue	<b>£2,915m</b>	£2,778m	+5.0%	
Operating profit	<b>£410m</b>	£369m	+11.4%	
Profit for the year (after tax)	<b>£276m</b>	£222m	+24.3%	
Basic EPS	<b>85.7p</b>	72.3p	+18.5%	
Dividend per share	<b>46.0p</b>	43.75p	+5.1%	

### 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 Group refers to Smiths Group including all four businesses; continuing operations refers to the combination of John Crane, Flex-Tek and Smiths Detection (ie excludes Smiths Interconnect) and Smiths refers to the combination of John Crane and Flex-Tek only.
- 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,

Welcome to our FY2025 Annual Report.

The Board is extremely pleased with the performance of the Group in FY2025, and with the positive response from our stakeholders on our progress towards becoming a more focused, efficient and value creating company.

Like many businesses we are navigating a period of significant instability. Over the past year, while inflation rates have generally declined and global growth has modestly increased, the picture is uneven and differs significantly by region. These challenges have been exacerbated by shifts in trading relationships and tariffs, as well as increased geopolitical risk. In such uncertain times, making investment decisions is more challenging for businesses, including our customers, so our financial performance and strategic progress are a real testament to the inherent strength of the Group and our customer-centric approach.

This approach enabled us to extend our track record to four consecutive years of consistent organic revenue growth averaging +7.4%, and strong operational and financial performance, with attractive financial returns. We raised full year growth guidance twice during the year as we executed our value creation strategy and, along with strong order books across the Group, we have confidence for the future. Notably, Smiths Detection and Smiths Interconnect each delivered double digit organic revenue growth, marking a step change in performance.

Our capital allocation strategy has delivered enhanced returns to shareholders as well as disciplined investment for growth, and we have maintained a strong balance sheet with an investment grade rating. In January, we increased our share buyback programme to £500m, which is on track to complete by December 2025, and continued our commitment to progressive dividend returns with a 5.1% increase in the dividend. FY2025 represents the 74th consecutive year of dividend payments to our shareholders.

Our strong cash generation and balance sheet have enabled us to maintain investment in the business.



**The Board's biggest decision of the year was to initiate the reshaping of the portfolio to unlock value through the separation of Smiths Interconnect and Smiths Detection.**

We invested organically in research, development and engineering (4.3% of revenue) and new product development and commercialisation, and inorganically, with three disciplined, margin-accretive acquisitions in HVAC and industrial heating for our Flex-Tek business during the year.

The Acceleration Plan launched at the beginning of the year to deliver productivity gains, a streamlined cost base and higher margins, is also an investment in future resilience and scalability, taking us even closer to our customers. The plan is delivering ahead of initial expectations, with estimated annualised benefits of £40-45m in FY2027 and beyond. Fully embedding our Excellence programme in all parts of the business has supported the Plan.

Of course, the Board's biggest decision of the year was to initiate the reshaping of the portfolio to unlock value through the separation of Smiths Interconnect and Smiths Detection. Prior to the announcement in January, we spent considerable time evaluating the options to maximise shareholder value. Indeed, the Board continuously reviews strategic options for the benefit of shareholders.

## CHAIRMAN'S STATEMENT CONTINUED

We believe that we will create value and address the valuation gap by creating a best-in-class industrial engineering company based on our high-performance businesses which trade under the John Crane and Flex-Tek brands, as well as delivering enhanced returns to shareholders generated by these separations. We have already announced new medium-term targets for Smiths where we see significant sustainable growth opportunities, higher margins and returns from FY2027 once the separations and Acceleration Plan are complete.

Both Smiths Interconnect and Smiths Detection are high-quality businesses that are performing well with long-term growth opportunities. We have a clear roadmap for executing the separations with minimal disruption. We have appointed advisers, established governance processes, including a new Separation Oversight Committee of the Board, and taken the appropriate steps to engage with employees. We are naturally conscious of the impact of these changes on our people and are managing the processes with sensitivity. A formal sales process is in progress for Smiths Interconnect and a parallel process is being run to either sell or demerge Smiths Detection.

There have been a number of changes to the Board during the year. We welcomed Julian Fagge as our new Chief Financial Officer in February. Julian has broad financial, strategic and commercial expertise, along with an extensive knowledge of Smiths businesses and markets after 12 years with the Group. He was appointed following a formal process after Clare Scherrer informed us of her intention to step down as Chief Financial Officer. The transition between Clare and Julian has been smooth and we thank Clare for her support in this, as well as her significant contribution

during her time on the Board. We also welcomed Simon Pryce as a Non-executive Director. Like Julian, Simon has significant leadership experience, as well as a strong background in M&A and value creation activities.

As Smiths evolves, as noted above, we have reshaped the Board's governance structure with the creation of a Separation Oversight Committee. Additionally, we have chosen to retire the Innovation, Sustainability & Excellence Committee and elevate its sustainability and innovation responsibilities to the main Board, recognising the critical importance of these matters to our future success. I would like to thank Dame Ann Dowling for her exceptional leadership of this Committee since its inception.

Mark Seligman, Noel Tata and Karin Hoeing will retire from the Board at the conclusion of the 2025 AGM. Their contributions over many years have been instrumental in creating the high performing businesses that we have today. I thank them for their wise advice, as I thank all members of the Board for their counsel and commitment in this busy year. Dame Ann Dowling succeeds Mark as Senior Independent Director and Alister Cowan succeeds Karin as Chair of the Remuneration & People Committee.

Finally, I extend a huge thank you to our colleagues around the world. The Board acknowledges that the changes we have announced have created uncertainty, and I pay tribute to their talent, and their continued dedication and exemplary work over the year.

Sincerely,

**Steve Williams**  
Chairman

## FY2025 – DIVERSIFIED INDUSTRIAL

**John Crane:** Mission-critical technologies and services for energy and process industries  
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**Flex-Tek:** Innovation leader in the safe and efficient movement and temperature management of fluids  
→ Page 19

**Smiths Detection:** Differentiated proprietary technologies for security screening and threat detection  
→ Page 20

**Smiths Interconnect:** Leading provider of technically differentiated connectivity solutions  
→ Page 22

## FY2025 revenue split

John Crane	33%
Flex-Tek	25%
Smiths Detection	29%
Smiths Interconnect	13%



## SMITHS – SPECIALIST INDUSTRIAL ENGINEERING COMPANY

## Retain and grow

- John Crane
- Flex-Tek

## FY2025 indicative revenue split

John Crane	57%
Flex-Tek	43%



## Medium-term targets from FY2027

- Organic revenue growth **5-7%**
- Headline EPS growth **>10%**
- Headline operating profit margin **21-23%**
- ROCE **>20%**
- Headline operating cash conversion **~100%**

## Separate

- Smiths Detection
- Smiths Interconnect

# Q&A WITH OUR CEO



**ROLAND CARTER**  
Chief Executive Officer

The performance of the Group in FY2025 was strong, with results ahead of guidance, and we have set ambitious new medium-term financial targets for the future.

**Q.**

## **YOU HAVE JUST COMPLETED YOUR FIRST FULL YEAR AS CEO – WHAT STANDS OUT FOR YOU?**

Our effort is directed towards building on our strengths and creating an industrial engineering powerhouse that extends the Smiths legacy. The performance of the Group in FY2025 was strong, with results ahead of guidance, and we have set ambitious new medium-term financial targets for the future, against a fairly unstable external environment for global business. We also completed our strategic review and announced our preferred strategy to reshape the portfolio with John Crane and Flex-Tek at our core, and focused on the energy, industrials and construction end markets. These are exciting industrial engineering businesses that will create significant long-term value for our stakeholders.

Our R&D machine has continued to deliver. John Crane launched the next generation Type 93AX coaxial separation seal, engineered to deliver lower nitrogen consumption, enhanced reliability in extreme operating conditions and reduced emissions. Developed using extensive test data in collaboration with customers, it helps improve efficiency, protect assets and support sustainability goals. Flex-Tek launched its 'Blue Series' redesigned sealed metal duct system which is more energy efficient and faster to install. We have also seen good commercial interest in Smiths Detection's X-ray diffraction-based technology designed to improve the detection and identification of prohibited substances, as well as expansion of the Smiths Interconnect DaVinci series of high-speed semiconductor test sockets.

As an engineer, I have been very supportive of the work being done across the organisation to bring Smiths Excellence tools into use by a larger cohort of colleagues. By the end of the year, our Smiths Excellence Fundamentals training had been completed by 9,000 colleagues worldwide and all of our sites with more than 100 colleagues have begun their formal Lean journey. These game-changing tools are being used to analyse and improve everything from safety performance to recycling. I am also pleased

with our greater commitment towards investment in apprenticeships and early careers. Our future depends on young people choosing our sector and it is great for our company as well.

**Q.**

## **WHAT WAS THE STAKEHOLDER REACTION TO THE STRATEGIC ACTIONS ANNOUNCEMENT IN JANUARY?**

Shareholder feedback has been extremely positive. Shareholders were pleased to see bold decisions being taken and appreciated our intended focus on higher growth, higher returns businesses and the future value creation potential of John Crane and Flex-Tek with their attractive, growing markets, as well as opportunities to expand through M&A. They recognise the quality of Smiths Detection and Smiths Interconnect but agree that they are better owned elsewhere. We, like them, acknowledge that there is much to do in terms of execution, but we are focused on delivery and will continue constructive dialogue as we execute our plans.

We have committed to being open and transparent with our employees and to keeping them informed as decisions are made, and we are providing support as needed, including resources for managing change. Our colleagues are professionals and I thank them for continuing working to the best of their abilities to position all our businesses well for the next stage.

**Q.**

## **WHAT ARE YOUR GROWTH PRIORITIES AND THOUGHTS ON THE YEAR AHEAD?**

Inevitably, FY2026 will be a transition year but, exactly like this year, we are focused on realising our significant potential, maximising top line growth, continuing to expand margins, and accelerating operational improvement. We are confident that we can grow our revenues above market through-cycle with continuing targeted investment in new products and innovation that meet customer needs. We also continue to see

## Q&amp;A WITH OUR CEO CONTINUED

opportunities in higher growth, higher margin sub-segments of our current business areas in terms of geography, product and customers. And, of course, we will continue to drive commercial excellence to deliver exceptional customer service.

Q.

**HOW WOULD YOU DESCRIBE THE OPERATIONAL RESILIENCE OF THE ORGANISATION?**

We have invested significant resources to deliver our Acceleration Plan, which we announced in September 2024. The plan is about productivity and investing for future resilience and scalability, as well as enhancing margin performance. Around two thirds of the proposed investment is directed towards process improvement and productivity, giving us greater agility to capture growth and deliver better results, and the balance is focused on footprint optimisation, taking us closer to customers and consolidating our local-for-local approach. The philosophy to make Smiths more resilient, agile and focused is unchanged as we move into the second year of the Plan, with early benefits already being realised. We remain on track to deliver £40-45m annualised benefits in FY2027 and beyond.

We also recognise the importance of investing in the resilience of our most important resource – our people – something that is even more critical at this time of uncertainty for them. We continue to use our engagement survey to understand where we need to focus our attention. While our overall engagement score fell slightly this year, which was not unexpected given the strategic actions announcement, it remained close to the industry benchmark, and we were pleased to score in the upper quartile for safety, respect and environment.

The safety of our people is, naturally, our top priority. Our safety performance was strong in the year, but we will always strive to do more, including increasingly using our Excellence tools to analyse and improve the working environment for colleagues. In FY2026 we plan also to introduce more health and well-being projects.

Stakeholders will be aware of the cyber security incident that took place at the end of January. We rapidly responded to isolate our systems and activate business continuity plans and were able to get critical systems back up and running as soon as possible. Business impact was mostly felt at John Crane where some orders and sales were disrupted, but there was minimal financial impact at Group level. I am grateful to the team for the swift response to minimise disruption and their round the clock work to deal with the challenge. There are always learnings from events such as this and we have taken the opportunity to engage with external experts to test and improve our future resilience.

Q.

**WHAT ARE YOUR PLANS FOR ALLOCATION OF CAPITAL GIVEN THE POTENTIAL PROCEEDS UNDER THE SEPARATION PROCESSES?**

We have already increased the scale of our buyback to £500m, which underpins our EPS progression. We are on track to complete the programme this calendar year. Our capital allocation priorities are organic investment in R&D and innovation to drive growth, as well as inorganic investment where we continue to see a good pipeline of value accretive targets in core and near-adjacent markets.

We made three complementary acquisitions at attractive valuation multiples for Flex-Tek in FY2025: Modular Metal Fabricators and Duc-Pac in HVAC and Wattco in industrial heat. We were really pleased to welcome colleagues from these businesses to Smiths.

We seek to optimise returns to shareholders so maintain a progressive dividend policy within the framework of an efficient balance sheet and we announced our commitment to return a large portion of the disposal proceeds from the separations to shareholders.

Q.

**THIS YEAR YOU BROUGHT TOGETHER THE KEY AREAS OF PEOPLE, SUSTAINABILITY AND EXCELLENCE UNDER ONE EXECUTIVE ROLE. WHAT WAS THE THINKING BEHIND THIS?**

There is a natural relationship between these areas, which I would characterise broadly as culture, and all three are critical to us achieving our overall objectives.

Excellence and sustainability activities sit most naturally in the grassroots of the organisation, with devolved ownership delivered by our people. Taking Excellence as an example, there is some direction from the centre, but the expertise lies in our businesses, and they are empowered to act as they see fit. We have seen significant progress this year in the number of completed Excellence projects and in expanding our cohort of certified Green and Yellow Belts.

Sustainability is similar. It's something we – and our customers – think about every day. For example, John Crane seals can be in the field for anything up to 40 years, maintained in peak working condition by us. A sustainable solution. And the energy reduction, water and biodiversity projects that will enable us to deliver our sustainability goals also come from our businesses at a site level. We are increasingly using Excellence tools to deliver these projects as well as the safety performance already mentioned.

We can already see the value from connecting these areas more closely in terms of deeper analysis, sharing best practice, creativity and innovation, and there is more to come. And, of course, it absolutely makes sense to build your people strategy around these areas.

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→ **Sustainability**  
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# KEY PERFORMANCE INDICATORS

## Financial KPIs

### Organic revenue growth

Sustainable faster than market growth will deliver best-in-class value creation.

Medium-term target to FY2026  
**+4-6%**

#### FY2025 progress

We delivered strong organic revenue growth of +8.9% ahead of our medium-term target range, supported by new product development and commercialisation and improved pricing.

#### Performance

<b>FY2025</b>	<div></div>	<b>8.9%</b>
FY2024	<div></div>	5.4%
FY2023	<div></div>	11.6%
FY2022	<div></div>	3.8%
FY2021	<div></div>	(2.2)%



Read more in CEO review  
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### Headline operating profit margin

Stronger execution will drive higher margins.

Medium-term target to FY2026  
**18-20%**

#### FY2025 progress

We delivered +60bps expansion in headline operating profit margin to 17.4%, while continuing to invest in growth driven by operating leverage, price offsetting inflation and good cost control despite a negative mix effect.

#### Performance

<b>FY2025</b>	<div></div>	<b>17.4%</b>
FY2024	<div></div>	16.8%
FY2023	<div></div>	16.5%
FY2022	<div></div>	16.3%
FY2021	<div></div>	15.5%



Read more in CEO review  
[→ Page 9](#)

### Headline earnings per share (EPS) growth

Strong margins will convert revenue growth into earnings growth.

Medium-term target to FY2026  
**+7-10%**

#### FY2025 progress

We delivered strong headline EPS growth of +14.8%, driven by operating profit growth and an enhanced share buyback programme; growth was +19.6% when excluding the effects of foreign exchange.

#### Performance

<b>FY2025</b>	<div></div>	<b>14.8%</b>
FY2024	<div></div>	8.3%
FY2023	<div></div>	39.6%
FY2022	<div></div>	17.8%
FY2021	<div></div>	19.3%



Read more in CEO review  
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Alternative Performance Measures (APMs) and KPIs are defined in note 30 of the financial statements. All measures include Smiths Interconnect.



## KEY PERFORMANCE INDICATORS CONTINUED

## Headline return on capital employed (ROCE)

Monitoring our return on capital ensures that both organic and inorganic investment drive maximum value from our growth.

**Medium-term target to FY2026**  
**15-17%**

## FY2025 progress

ROCE increased +170bps to 18.1%, above our target range, driven by operating profit performance.

## Performance

<b>FY2025</b>		<b>18.1%</b>
FY2024		16.4%
FY2023		15.7%
FY2022		14.2%
FY2021		13.9%



Read more in CEO review

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## Headline operating cash conversion

Maintaining our strong track record of cash conversion is a key component of our robust financial framework.

**Medium-term target to FY2026**  
**~100%**

## FY2025 progress

Headline operating cash conversion increased +2pps to 99%, reflecting a marked improvement in working capital and slightly lower capital expenditure.

## Performance

<b>FY2025</b>		<b>99%</b>
FY2024		97%
FY2023		86%
FY2022		80%
FY2021		129%



Read more in CEO review

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## Operational and non-financial KPIs

## Recordable incident rate (RIR)

Looking after our colleagues in the workplace and keeping them safe and healthy is our number one priority.

**Medium-term target**  
**RIR <0.4**

## FY2025 progress

RIR improved to 0.28, reflecting our clear focus on sustainable preventative action, underpinned by data analysis and pattern identification, to deliver continuous improvement towards injury-free workplaces.

## Performance

<b>FY2025</b>		<b>0.28</b>
FY2024		0.44
FY2023		0.41
FY2022		0.56
FY2021		0.47



Read more in Sustainability.

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## KEY PERFORMANCE INDICATORS CONTINUED

## Operational and non-financial KPIs

## Gross vitality

Measures the revenue contribution of products launched in the last five years. Improving new product development and commercialisation is a key component of our growth strategy.

**Existing medium-term target**  
**30%**

## 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.

## 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.

**Medium-term target**  
**Upper quartile (75+)**

## Diversity

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.

**Medium-term target**  
**30%**

## FY2025 progress

Gross vitality was 30.8% reflecting continued investment in R&D and new product development and commercialisation.

## FY2025 progress

Scope 1 & 2 emissions were down 11.4% driven by our continued focus on energy efficiency, transitioning to green electricity tariffs and lower carbon fuels, and investing in solar and electric vehicles. A proportion of the reduction was due to the restatement of FY2024 data from implementation of the Watershed platform<sup>1</sup>.

## FY2025 progress

78% of employees completed the FY2025 survey and our overall engagement fell slightly to 72, which was expected given the strategic actions announced in January, and was still close to industry benchmark of 74.

## FY2025 progress

We continued to make progress towards our target with 28% of senior leadership positions held by women. 75% of senior leadership roles were taken by internal candidates during the year.

## Performance



## Performance



## Performance



## Performance



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**Principal risk: Climate change** [→ Page 35](#)  
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Read more in Our people and culture.  
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**Principal risk: People**  
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Read more in Sustainability metrics, targets and performance.  
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**Principal risk: People**  
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<sup>1</sup> Calculated vs FY2024 restated emissions. See page 55.

# CEO REVIEW



**ROLAND CARTER**  
Chief Executive Officer

Our strategy is to be a focused, efficient and value creating industrial engineering company, operating in the attractive and growing market segments of energy, industrial and construction.

## Strategy update

### Smiths Interconnect and Smiths Detection separation processes

The separation processes for Smiths Interconnect and Smiths Detection are progressing with pace and purpose, with separation workstreams in train for both businesses. A formal sales process is underway for Smiths Interconnect. A parallel process for both a UK demerger and a sale is being run in relation to Smiths Detection, with a clear focus to maximise value creation and execution certainty.

We remain on track to announce a sale of Smiths Interconnect by the end of calendar year 2025, with the separation of Smiths Detection by way of a UK demerger or sale to follow.

### Our business model going forward

Smiths specialises in high-performance technologies in flow management and thermal solutions with leading positions in attractive, growing market segments aligned with structural megatrends. We have valued customer relationships based on customised technologies, products and solutions with more than 70% aftermarket, recurring or repeatable revenue. Smiths has a high-performance culture centred on values, innovation and excellence. It also has a strong financial profile of sustainable growth, high returns and good cash generation with both organic and inorganic expansion opportunities.

Our businesses are exposed to similar end market trends and are underpinned by common capabilities, resources and assets that provide competitive advantage. Supporting them is a lean corporate centre providing support and focusing on core competencies including strategy, capital allocation, M&A and compliance. Common activities and best practice such as supply chain management, procurement, Smiths Excellence continuous improvement and global business services are coordinated across Smiths, with product development, customer focus and operational delivery sitting within the businesses.

### Sustainable organic growth drivers

Our key end markets and adjacencies, and their underlying megatrends and geo-political dynamics, ensure we remain well positioned to access market growth opportunities. Key trends underpinning demand for our products include the need for secure energy, emissions reductions, and cleaner industrial processes, as well as the increased demand for greater efficiency and productivity improvements by our customers.

In our key end markets of energy, industrial and construction, these trends underpin a market compound annual growth rate (CAGR) forecast of 4–5% over the next decade.

Our medium-term targets, announced in March, anticipate above market growth, driven by:

- **Leveraging our existing portfolio of leading brands** – supported by customer intimacy and leading aftermarket expertise;
- **Commercial excellence** – enhancing operational processes, to deliver exceptional customer service and drive value add for us and our customers;
- **Innovation and new product development** – investment in new products, innovation and commercialisation to support customer needs; and
- **Market adjacencies** – targeting higher growth and higher margin market sub-segments across geographies, products or customers.

Organic growth will be augmented with disciplined value accretive M&A in core and adjacent markets, as demonstrated by Flex-Tek's strong track record, with a further three businesses added in FY2025.

### Margin expansion drivers

We also have several levers supporting our margin expansion ambitions:

- **Operating leverage** – drive a higher contribution margin as we grow revenue and build scale;
- **Acceleration Plan** – execute initiatives that deliver productivity and capability enhancements, including end-to-end process improvements and optimising operational footprint. It also targets a

## CEO REVIEW CONTINUED

lean corporate centre with central costs remaining at 1.5-1.7% of revenue, following completion of the separation processes;

- In FY2025, we saw initial benefits and remain on track to deliver £40-45m annualised benefits in FY2027 and beyond, with approximately half expected in FY2026. In the year, we incurred £22m of cost, with the remainder of the total £60-65m expected in FY2026. Around 2/3 relates to the retained businesses.
- **Operational excellence** – deliver ongoing efficiency savings and productivity improvements supported by our continuous improvement programme, Smiths Excellence; and
- **Portfolio** – capturing higher margin segments of our markets, for example a greater share of aftermarket, as well as high-grading the portfolio towards higher growth and returns.

**New enhanced medium-term targets**

In March, we announced new enhanced medium-term financial targets. These targets reflect the superior financial profile of the remaining businesses, with higher growth, margin and returns and further improvement expected from Smiths Excellence and the Acceleration Plan, driving enhanced returns and value creation. The new targets are through-cycle and apply from FY2027 following the completion of both separation processes, with FY2026 being a transition year towards these new ranges.

Medium-term targets (through-cycle) from FY2027	New target	Versus prior targets
Organic revenue growth	5-7% (+ M&A)	Increased
Headline EPS growth	>10% (+ M&A)	Increased
Headline operating profit margin	21-23%	Increased
ROCE	>20%	Increased
Headline operating cash conversion	~100%	Maintained

**Disciplined capital allocation**

In support of these targets, our capital allocation strategy will continue to prioritise disciplined investment for growth, both organically and inorganically, and deliver enhanced returns to shareholders, while maintaining a strong balance sheet:

- **Organic investment** – investing in capital expenditure and in RD&E for new product development and commercialisation to support our customers and drive organic revenue growth, spending ~3-4% of revenue on RD&E;
- **Value-accretive acquisitions** – investing in core and adjacent markets to augment organic growth;
- **Dividends** – a progressive dividend, balancing the cashflow needs of the business against the delivery of value to our shareholders; and
- **Enhanced returns to shareholders** – returning excess cash to shareholders, via share buyback or other appropriate mechanism.

Our intent is to maintain an investment grade credit rating and we will balance this alongside our desire to have an efficient balance sheet. Our credit rating is underpinned by our financial track record, leading market positions, significant share of recurring revenue, including from aftermarket services, and importantly our financial discipline and commitment to the rating.

As we progress the separation of Smiths Interconnect and Smiths Detection, we remain committed to returning a large portion of disposal proceeds to shareholders, with a decision on the scale that will be returned to be made when we have certainty on the timing and magnitude of sale proceeds. The proportion returned will balance our cashflow generation and the use of sales proceeds in the context of our organic investment in RD&E, acquisition pipeline, dividend policy and leverage.

**FY2026 outlook – continuing operations**

We expect organic revenue growth (on a continuing operations basis) to be in the 4-6% range, noting the strong first quarter comparator in FY2025. This outlook reflects the strength of our order book, as well as the ongoing macro environment uncertainty, with tariffs and increased geo-political risks causing market instability.

- Improving growth for John Crane is supported by the recent momentum coming into the year, our strong order book and improved execution;
- For Flex-Tek, our outlook assumes a continuing subdued view on US construction based on current leading indicators (housing starts, building permits and builders confidence), alongside a strong order book in aerospace; and
- Smiths Detection's growth will continue to be supported by the aviation upgrade programme, albeit at a moderated pace compared with FY2025.

We expect continuing margin expansion to be achieved through operating leverage, the benefits of the Acceleration Plan and continued efficiency savings supported by Smiths Excellence. This also incorporates the net negative impact from US tariffs currently in place.

We expect headline cash conversion in the mid-nineties percent.

**Executive Committee changes**

During the year, there were several changes to the Executive Committee.

In February, Julian Fagge was appointed as Chief Financial Officer, having formerly been President of Smiths Interconnect and Group Financial Controller, succeeding Clare Scherrer.

As a result of this change, Vera Parker, was appointed President of Smiths Interconnect; Kini Pathmanathan's role was expanded to include People in addition to Sustainability and Excellence; and Ruben Álvarez, was promoted to be President, John Crane, following Bernard Cicut's retirement.

In August 2025, Ted Wan came off the Executive Committee as a result of retiring the China operational structure; Diana Houghton, Group Head of Strategy and Communications, and Pat McCaffrey, President of Flex-Tek, both departed Smiths. Flex-Tek is now being co-led by Chris Edwards, President of Flex-Tek Construction and Heat, and Mike Stern, President of Flex-Tek Aerospace, who have been at Flex-Tek for 20 years and six years, respectively. They joined the Executive Committee in September 2025.



## CEO REVIEW CONTINUED

# OUR STRATEGY AND BUSINESS MODEL



Our strategy is to be a focused, efficient and value creating industrial engineering company operating in the attractive and growing market segments of energy, industrials and construction.

FOUNDATION	EXPERTISE/OWNERSHIP	CLEAR VALUE CREATION FOR ALL STAKEHOLDERS																												
<p>High quality businesses with complementary industry characteristics and capabilities</p> <ul style="list-style-type: none"><li>– <b>Focused</b> industrial engineering company specialising in high performance technologies for flow management and thermal solutions</li><li>– <b>Leading positions</b> in attractive, growing market segments, aligned with structural megatrends</li><li>– Capabilities, resources and assets that deliver <b>competitive advantage</b></li><li>– <b>Innovation and new product development</b> to meet evolving customer needs</li><li>– Valued <b>customer relationships</b> with customised products and solutions: &gt;70% aftermarket and recurring revenue</li><li>– <b>High performing culture</b> centred on Values, innovation and excellence</li><li>– <b>Strong financial profile</b> of sustainable growth, high returns and good cash generation with low capital intensity</li><li>– <b>Expansion opportunities</b> – organic and inorganic</li></ul>	<table><tr><td>End markets</td><td>Energy</td><td>Industrial</td><td>Construction</td></tr><tr><td>Businesses</td><td>John Crane</td><td>John Crane Flex-Tek</td><td>Flex-Tek</td></tr><tr><td></td><td colspan="3">Empowered commercial and operational decision making</td></tr><tr><td></td><td colspan="3"><div><div>– Product and service strategies</div><div>– Operational delivery</div><div>– Health and safety</div><div>– Excellence and sustainability</div></div><div><div>– Talent development and management</div></div></td></tr><tr><td>Group centre</td><td colspan="3">Smiths Group</td></tr><tr><td></td><td colspan="3">Value add, compliance and cost efficiency</td></tr><tr><td></td><td colspan="3"><div><div>– Core purpose, vision and values</div><div>– Portfolio strategy, management and execution</div><div>– Capital allocation</div><div>– Mergers and acquisitions</div></div><div><div>– Financial reporting</div><div>– Cyber security and enterprise IT</div><div>– Governance, compliance and risk management</div></div></td></tr></table>	End markets	Energy	Industrial	Construction	Businesses	John Crane	John Crane Flex-Tek	Flex-Tek		Empowered commercial and operational decision making				<div><div>– Product and service strategies</div><div>– Operational delivery</div><div>– Health and safety</div><div>– Excellence and sustainability</div></div> <div><div>– Talent development and management</div></div>			Group centre	Smiths Group				Value add, compliance and cost efficiency				<div><div>– Core purpose, vision and values</div><div>– Portfolio strategy, management and execution</div><div>– Capital allocation</div><div>– Mergers and acquisitions</div></div> <div><div>– Financial reporting</div><div>– Cyber security and enterprise IT</div><div>– Governance, compliance and risk management</div></div>			<p><b>Customers</b></p> <ul style="list-style-type: none"><li>– High performance solutions</li><li>– Continuous innovation</li><li>– Commitment to excellence</li></ul> <p><b>Shareholders</b></p> <ul style="list-style-type: none"><li>– Focused on total shareholder returns</li><li>– Sustained profitable growth</li><li>– Disciplined capital allocation</li></ul> <p><b>People</b></p> <ul style="list-style-type: none"><li>– Empowered, inclusive and engaged culture</li><li>– High-impact careers</li><li>– Performance-based remuneration</li></ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"><li>– Valued partnerships</li><li>– Commitment to sustainability and ethics</li></ul> <p><b>Communities</b></p> <ul style="list-style-type: none"><li>– Governance, ethics and sustainability</li><li>– Investing where we work (employment, volunteering, fundraising)</li><li>– Smiths Group Foundation</li></ul> <p><b>Regulators and governments</b></p> <ul style="list-style-type: none"><li>– Openness and transparency</li><li>– Advancing policy aims</li></ul>
End markets	Energy	Industrial	Construction																											
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NEW MEDIUM-TERM TARGETS FROM FY2027	<ul style="list-style-type: none"><li>– Organic revenue growth 5-7%</li><li>– Headline EPS growth &gt;10%</li><li>– Headline operating profit margin 21-23%</li></ul>	<ul style="list-style-type: none"><li>– ROCE &gt;20%</li><li>– Headline operating cash conversion ~100%</li></ul>																												

## CEO REVIEW CONTINUED

# MARKETS AND MEGATRENDS



Our businesses operate in attractive, growing end markets aligned with positive structural megatrends:

- Rising demand for energy with growing demand for low-carbon technologies to accelerate decarbonisation efforts
- Global drive for increased efficiency and productivity across a broad range of industrial process, construction and aerospace customers
- Regulatory compliance, technological advancement and investment in infrastructure drive innovation

## End markets

	Products and services	Customers
Energy	Mechanical seals, filtration, control systems and condition monitoring	Oil & gas New energy
Industrial	Mechanical seals, filtration, control systems Rigid and flexible tubing and ducting	New energy Process industries Aerospace OEMs and assemblers Specialist hose
Construction	Rigid and flexible tubing and ducting, gas piping and heat kits	Installers and distributors of construction products

Four primary market forces – **technology, globalisation, environment and demographics** – are evolving in a series of waves. These forces and the interaction between them gives rise to a range of megatrends that impact Smiths.

### PRIMARY MARKET FORCES

#### TECHNOLOGY

- GenAI, quantum computing and Industry 5.0
- New human/machine ecosystems
- Protectionism
- Security

#### DEMOGRAPHICS

- Aging populations
- Increased urbanisation
- Focus on health/wellness

#### GLOBALISATION

- Social instability
- Less globalisation
- Heightened geopolitical risk

#### ENVIRONMENT

- Climate change and environmental stress
- Innovation to zero waste/zero emissions/zero defects

We have identified the most relevant megatrends to Smiths under two key themes.

### MEGATRENDS

#### ENERGY SECURITY AND EFFICIENCY

- Energy transition
- Resource and raw material management
- Circular economy

#### PRODUCTIVITY AND SUSTAINABILITY

- Process efficiency
- Zero product defects
- Modular building construction

### HOW WE ARE RESPONDING TO THESE MEGATRENDS

#### SOLUTIONS THAT HELP OUR CUSTOMERS TO:

- Reduce emissions and leakage
- Move to alternative and more secure sources of energy
- Capture, transport and sequester carbon

#### SOLUTIONS THAT HELP OUR CUSTOMERS TO:

- Operate more efficiently
- Improve performance
- Use less raw materials

## CEO REVIEW CONTINUED

## FY2025 business performance

## Group performance versus FY2025 guidance

In FY2025, Smiths delivered strong growth, margin expansion, cash flow and returns. On a Group basis, the performance was ahead of our FY2025 guidance.

Group revenue grew +8.9% on an organic basis and +6.5% on a reported basis to £3,336m (FY2024: £3,132m). This included £(108)m of negative foreign exchange translation and +£41m from acquisitions, including Modular Metal Fabricators, Inc (Modular Metal), Wattco, Inc (Wattco), Duc-Pac Corporation (Duc-Pac) in FY2025 and £5m from the Heating and Cooling Products (HCP) acquisition made in August 2023. Continuing operations revenue increased +7.2% on an organic basis and 5.0% on a reported basis.

We continue to extend our track record of consistent organic growth. All businesses contributed to growth this year, and we have now delivered more than four consecutive years of organic revenue growth, with average growth of +7.4% over this period.

We exceeded our organic revenue growth guidance despite the uncertain macro environment, a challenging US construction market and interruption from the now resolved cyber security incident in January, with the most notable impact being in John Crane.

- John Crane's growth was led by good original equipment (OE) sales, particularly in the first half. Growth in the second half was constrained by a number of operational delivery challenges resulting from the upgrade in machining and testing capabilities and exacerbated by a longer than expected recovery from the January cyber incident. In H2, the business saw sequential quarterly improvement in performance;
- Flex-Tek delivered good growth in its construction business, despite the subdued US construction market, with continued strength in aerospace reflecting new build programmes;

- Smiths Detection's growth reflected notable strength in aviation as the airport checkpoint upgrade programmes continued, partly offset by lower revenue in Other Detection Systems;
- Smiths Interconnect's organic revenue increased strongly in the year, supported by a recovery in the semiconductor market and an improved market for connectors, especially in the faster growing aerospace and defence segments, and the benefit of new product launches.

Organic growth is supported by new product development and commercialisation and improved pricing. In the year, +165bps of growth was delivered from new products including John Crane's mechanical seal designed specifically for ethane and ethylene pipeline operators; initial sales from Flex-Tek's new sealed duct system and the broadening of Smiths Detection's digital solutions, in particular its iCMore threat detection software.

+

8.9%

Organic revenue growth

	FY2025 guidance	Group FY2025 outcome
Organic revenue growth	<b>Upper end of 6-8%</b>	<b>+8.9%</b>
Headline operating profit margin	<b>40-60 bps expansion</b>	<b>+60bps to 17.4%</b>
Headline operating cash conversion	<b>~90%</b>	<b>99%</b>

£m	FY2024	Foreign exchange	Acquisitions	Organic movement	FY2025
Revenue (Group)	3,132	(108)	41	<b>271</b>	<b>3,336</b>
Revenue (continuing operations)	2,778	(97)	41	<b>193</b>	<b>2,915</b>

Organic revenue growth (by business)	H1 2025	H2 2025	FY2025
John Crane	<b>+3.8%</b>	<b>+2.2%</b>	<b>+3.0%</b>
Flex-Tek	<b>+2.5%</b>	<b>+6.3%</b>	<b>+4.4%</b>
<b>Smiths</b>	<b>+3.3%</b>	<b>+3.9%</b>	<b>+3.6%</b>
Smiths Detection	<b>+15.3%</b>	<b>+15.1%</b>	<b>+15.2%</b>
<b>Smiths (continuing operations)</b>	<b>+6.9%</b>	<b>+7.5%</b>	<b>+7.2%</b>
Smiths Interconnect	<b>+26.8%</b>	<b>+18.9%</b>	<b>+22.5%</b>
<b>Group</b>	<b>+9.1%</b>	<b>+8.8%</b>	<b>+8.9%</b>

## CEO REVIEW CONTINUED

We continue to focus on improving operational leverage and enhancing productivity and efficiency throughout our operations. Group headline operating profit rose to £580m (FY2024: £526m); +13.1% (+£66m) on an organic basis, and +10.3% (+£54m) on a reported basis. Acquisitions contributed £10m to operating profit and were accretive to margin.

For continuing operations, headline operating profit of £505m (FY2024: £477m) was 8.5% higher organically and 6.0% higher on a reported basis.

Group headline operating profit margin was 17.4%, up +60bps on both an organic and a reported basis. Continuing operations headline operating profit margin was 17.3%. This reflected volume growth, pricing ahead of inflation, benefits of efficiency savings, including Smiths Excellence, partially offset by product and business mix, and the impact of tariffs.

The overall margin performance was at the top end of the guided range of +40-60bps expansion.

Headline operating profit margin (by business)	FY2024	FY2025
John Crane	23.2%	<b>23.8%</b>
Flex-Tek	20.5%	<b>19.5%</b>
<b>Smiths</b>	19.5%	<b>19.6%</b>
Smiths Detection	11.9%	<b>12.7%</b>
<b>Smiths (continuing operations)</b>	17.1%	<b>17.3%</b>
Smiths Interconnect	13.9%	<b>17.8%</b>
<b>Group</b>	<b>16.8%</b>	<b>17.4%</b>

- A +60bps margin expansion in John Crane was driven by cost efficiency, the benefits of Smiths Excellence and other productivity improvements, partly offset by adverse foreign exchange;
- Margin decline at Flex-Tek reflected operating leverage and Smiths Excellence savings being offset by adverse mix, with a lower contribution from higher margin industrial heating contracts. It also reflected an £8m in-year charge for a non-material balance sheet overstatement related to an isolated US industrial site, with the issue thoroughly investigated and now resolved;
- Margin improvement in Smiths Detection was driven by notably higher volumes, alongside pricing and mix benefits, as well as continued enhancement in operational efficiency.
- Margin improvement in Smiths Interconnect was driven by higher pricing and volume, alongside positive mix effects, efficiency improvements and Smiths Excellence benefits.

The Group margin improvement also reflected initial benefits from the Acceleration Plan, with savings mostly in John Crane and a reduction in central costs.

Group ROCE increased +170 bps to 18.1% (FY2024: 16.4%), reflecting the higher profitability and efficient use of capital. ROCE on a continuing operations basis was 18.3%.

Group headline EPS grew +14.8% to 121.2p (FY2024: 105.5p). This included a headline tax charge of £137m (25.0% effective tax rate) (FY2024: £122m, 25.0%), a £7m reduction in headline finance costs and the benefit of the share buyback programme, partially offset by foreign exchange impact.

Group headline operating cash conversion was 99% (FY2024: 97%), supported by the year-on-year improvement in profit. Headline operating cashflow was £576m (FY2024: £509m) and free cashflow generation increased +12.8% to £336m (FY2024: £298m) or 58% of headline operating profit (FY2024: 57%).

**Discontinued operations**

Smiths Interconnect has been classified as discontinued operations, and the assets and liabilities have been classified as held for sale. The headline profit after tax from the discontinued operations was £57m (FY2024: £35m), and £16m (FY2024: £29m) on a statutory basis.



# 17.4%

Group headline operating profit margin +60bps

£m	FY2024	Foreign exchange	Acquisitions	Organic movement	FY2025
Headline operating profit (Group)	526	[22]	10	<b>66</b>	<b>580</b>
Headline operating profit margin (Group)	16.8%	[10]bps	10bps	<b>60bps</b>	<b>17.4%</b>
Headline operating profit (continuing operations)	477	[21]	10	<b>39</b>	<b>505</b>
Headline operating profit margin (continuing operations)	17.1%	[10]bps	10bps	<b>20bps</b>	<b>17.3%</b>



# CFO REVIEW



**JULIAN FAGGE**  
Chief Executive Officer

FY2025 was another year of strong financial performance.

Our headline cash conversion was better than expected at 99%, and ROCE was above target at 18.1%.

Our balance sheet remains strong at 0.6x net debt to headline EBITDA, giving us ample flexibility to support our strategic ambitions.

## Capital allocation

We take a disciplined approach to our use of capital; investing in our businesses to support organic growth, pursuing strategic and disciplined acquisitions, adopting a progressive dividend policy and returning excess capital to shareholders. As announced in January, we are accelerating execution against this with enhanced returns to shareholders through our increased share buyback programme. Our dividend policy aims to increase dividends in line with growth in earnings and cashflow, with the objective of maintaining minimum dividend cover of around two times.

## Organic investment

During the year, the Group invested £143m in RD&E (FY2024: £150m), of which £120m (FY2024: £114m) was an income statement charge, £4m was capitalised (FY2024: £14m) all in Smiths Detection, primarily next-generation hold and cabin baggage screening, and £19m (FY2024: £22m) was funded by customers, largely related to Smiths Detection. This includes £46m spend (FY2024: £50m) on customer-specific engineering-related projects predominantly in John Crane. Total spend for FY2025 represents 4.3% of sales (FY2024: 4.8%).

## CLEAR CAPITAL ALLOCATION PRIORITIES WITH ENHANCED RETURNS

### Disciplined use of capital

### FY2025

#### Organic investment

- Capex £76m
- Research, development and engineering £143m<sup>1</sup>

#### Value accretive acquisitions

- £121m for acquisitions<sup>2</sup>
- Three acquisitions in Flex-Tek

#### Progressive dividend policy

- DPS +5.1%
- Dividend spend of £152m
- 74 consecutive years of dividend payments

#### Enhanced returns to shareholders

- Executed £398m of £500m buyback<sup>3</sup>
- £1.7bn returned via buyback in last 4 years

<sup>1</sup> Including John Crane's customer-specific engineering-related projects.

<sup>2</sup> Amount relates to acquisitions of Modular Metal, Wattco in Q1 FY2025 and Duc-Pac in Q3 FY2025.

<sup>3</sup> As of 10 September 2025. Overall programme increased to £500m in 31 January 2025 announcement.

**CFO REVIEW CONTINUED**

Capex decreased to £80m (FY2024: £86m) and included planned investment in capacity and automation at John Crane and initiatives under the Acceleration Plan.

**M&A**

During the year, we completed the acquisitions of Modular Metal, Wattco and Duc-Pac with net acquisition spend of £121m at attractive valuation multiples and accretive margins. The acquisitions extended Flex-Tek's geographical reach within its HVAC business and broadened its portfolio of energy efficient thermal solutions for industrial applications with an operating margin accretive to that of Flex-Tek.

**Shareholder returns - share buyback and dividend**

As announced on 31 January 2025, we increased our share buyback programme to £500m. Since the start of the programme in March 2024 up to 31 July 2025, we had completed £349m. A further £49m has been completed since the year-end up to 10 September. The remainder is expected to be completed by the end of calendar year 2025.

The Board is recommending a final dividend of 31.77p, bringing the total dividend for the year to 46.0p (FY2024: 43.75p), a year-on-year increase of +5.1%. The final dividend will be paid on 21 November 2025 to shareholders on the register at close of business on 17 October 2025.

**Net debt**

Group net debt at 31 July 2025 increased to £441m (FY2024: £213m) with a net debt to headline EBITDA ratio of 0.6x (FY2024: 0.3x), with the year-on-year increase reflecting the share buyback programme, net acquisition spend of £121m, partly offset by net proceeds of £53m from the sale of the remaining ICU Medical, Inc shareholding. On a continued operations basis, net debt was £462m (FY2024: £213m).

Net headline finance costs for the year decreased to £31m (FY2024: £38m), principally due to interest on higher average cash balances.

As at 31 July 2025, Group borrowings were £677m (FY2024: £659m) comprising a €650m bond which matures in February 2027 and £118m of lease liabilities.

There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 July 2025 were £226m (FY2024: £459m).

On a continued operations basis, borrowings were £667m (FY2024: £659m) comprising the €650m bond and £108m of lease liabilities. Cash and cash equivalents as at 31 July 2025 were £195m (FY2024: £459m).

Together with an \$800m (£605m at the year-end exchange rate) revolving credit facility, which matures in May 2030 and a £200m revolving credit facility, which matures in June 2027, total liquidity was £1bn at the end of the period.

**Statutory results****Income statement and cashflow**

The £95m difference (FY2024: £108m) between continuing operations headline operating profit of £505m and statutory profit of £410m is non-headline items. The largest of these relate to the amortisation of acquired intangible assets of £50m, a £12m net credit for asbestos litigation provision in John Crane Inc, and £22m of cost in relation to the Acceleration Plan. Smiths Detection separation costs amounted to £10m and £4m costs were charged in relation to cyber remediation costs. A £15m impairment charge was recognised related to prior-year adjustments for non-material working capital balances which were assessed to be overstated at a standalone Flex-Tek US industrials business, with the issue thoroughly investigated and now resolved.

The Smiths Interconnect discontinued operation headline operating profit for the period was £75m (FY2024: £49m), to bring the total Group headline operating profit to £580m (FY2024: £526m). A further £40m (FY2024: £3m) was charged through non-headline for Smiths Interconnect specific items, including a £30m impairment as a result of an agreement to sell its US sub-systems business unit and £8m of separation costs.

Total Group operating profit (including discontinued operations) for the period was £445m (FY2024: £415m). Total finance costs for the Group were £35m, £8m lower than the prior year (FY2024: £43m).

The total Group effective tax rate (including discontinued operations) was 28.8% (FY2024: 32.5%) and includes a non-headline tax credit of £19m (FY2024: £1m). Statutory profit after tax for the Group was £292m (FY2024: £251m) and statutory basic EPS was 85.7p (FY2024: 72.3p).

Statutory net cash inflow from operating activities for the Group was £456m (FY2024: £418m).

**Pensions**

During the year, £11m of pension contributions (FY2024: £16m) were made, which relate to funded, unfunded and overseas schemes and healthcare arrangements. Of this, £5m related to the US defined benefit pension plan.

No contributions were made in FY2025 to either the TI Group Pension Scheme (TIGPS) or the Smiths Industries Pension Scheme (SIPS) and it is not anticipated that any further contributions will be made. For the TIGPS, the liabilities have now been insured via a series of buy-in annuities, with Smiths and the TIGPS Trustee working toward final buy-out of the scheme. The SIPS is now fully funded on the Technical Provisions basis and buy-out funding basis, significantly ahead of target. Smiths and the SIPS Trustee are now working together to consider the next steps for the scheme.

These two UK schemes and the US pension plan are well hedged against changes in interest and inflation rates. Their assets are invested in third-party annuities, government bonds, investment grade credit or cash, with a small proportion of equity investments held by the US pension plan. As at 31 July 2025, 60% of the funded UK liabilities had been de-risked through the purchase of annuities from third party insurers.

**Litigation**

Smiths Group faces different types of litigation in different jurisdictions. Please see below an update on the two significant litigation provisions. For more information, refer to note 23 of the Financial Statements.



Read more about how we manage risk

**Risk management**

[→ Page 26](#)



**Going Concern and Viability Statement**

[→ Page 60](#)

## CFO REVIEW CONTINUED

**John Crane, Inc. litigation**

John Crane, Inc. (JCI) a subsidiary of the Group, continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the effective presentation of its 'safe product' defence, and intends to resist asbestos cases based on this defence. Approximately 313,000 claims against JCI have been dismissed before trial over the last 45 years. JCI is currently a defendant in cases involving approximately 21,000 claims. Despite these large numbers of claims, since the inception of asbestos litigation against JCI it has had 157 final judgements against it and has had to pay awards amounting to approximately \$192m. At 31 July 2025, the aggregate 10-year provision for JCI asbestos litigation, including for adverse judgements and defence costs, amounted to £191m (FY2024: £220m) expressed at the then current exchange rate. In deciding upon the amount of the provision, JCI has relied on independent expert advice.

**Titeflex Corporation litigation**

Titeflex Corporation, a subsidiary of the Group in the Flex-Tek business, has received a number of claims in recent years from insurance companies seeking recompense on a subrogated basis for the effects of damages allegedly caused by its flexible gas piping products being energised by lightning strikes. It has also received a number of product liability claims relating to this product, 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. The continuing progress of claims and the pattern of settlement, together with recent market-place activity, provide sufficient evidence to recognise a liability in the accounts. At 31 July 2025, a provision of £26m (FY2024: £36m) has been made for the costs which the

Group expects to incur in respect of these claims. For the Group's litigation provisions, because of the significant uncertainty associated with the future level of claims and of the costs arising out of the related litigation, there is no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

**Foreign exchange**

The results of overseas operations are translated into sterling at average exchange rates. Net assets are translated at period-end rates. The Group is exposed to foreign exchange movements, mainly US Dollar and Euro. The principal exchange rates, expressed in terms of the value of Sterling, are as follows:

	Average rates		Period-end rates	
	31 Jul 2025 (12 months)	31 Jul 2024 (12 months)	31 Jul 2025	31 Jul 2024
USD	1.30	1.26	1.32	1.28
EUR	1.19	1.17	1.16	1.19

**Footnotes**

- 1 Research, development and customer-specific engineering

## Business review

### JOHN CRANE

John Crane is a global leader in mission-critical technologies for the energy and process industries and an innovator in rotating equipment, encompassing mechanical seals, dry gas seals, couplings, filtration systems and cutting-edge asset management and digital diagnostics solutions. 63% of revenue is derived from the energy sector (downstream and midstream oil & gas and power generation, including renewable and sustainable energy sources). 37% is from other process industries including chemical, life sciences, mining, water treatment and pulp & paper. 71% of John Crane revenue is from aftermarket sales. John Crane represents 33% of Group revenue.

	FY2025 £m	FY2024 £m	Reported growth	Organic growth		
				H1	H2	FY
<b>Revenue</b>	<b>1,115</b>	<b>1,133</b>	<b>(1.6)%</b>	<b>+3.8%</b>	<b>+2.2%</b>	<b>+3.0%</b>
Original Equipment (OE)	174	176	(1.4)%	+12.2%	(6.0)%	+2.3%
Aftermarket	528	550	(3.9)%	+0.6%	+1.8%	+1.2%
<b>Energy</b>	<b>702</b>	<b>726</b>	<b>(3.3)%</b>	<b>+3.3%</b>	<b>(0.2)%</b>	<b>+1.4%</b>
Original Equipment	148	145	+2.5%	+5.8%	+6.6%	+6.2%
Aftermarket	265	262	+0.7%	+4.0%	+6.6%	+5.3%
<b>General Industrial</b>	<b>413</b>	<b>407</b>	<b>+1.4%</b>	<b>+4.6%</b>	<b>+6.6%</b>	<b>+5.6%</b>
<b>Headline operating profit</b>	<b>265</b>	<b>263</b>	<b>+1.1%</b>	<b>+3.9%</b>	<b>+8.5%</b>	<b>+6.3%</b>
<b>Headline operating profit margin</b>	<b>23.8%</b>	<b>23.2%</b>	<b>+60bps</b>	<b>+10bps</b>	<b>+140bps</b>	<b>+80bps</b>
<b>Statutory operating profit</b>	<b>264</b>	<b>229</b>	<b>+15.3%</b>			
<b>Return on capital employed</b>	<b>25.2%</b>	<b>25.3%</b>	<b>(10)bps</b>			
<b>RD&amp;E<sup>1</sup> cash costs as % of sales</b>	<b>5.1%</b>	<b>5.2%</b>	<b>(10)bps</b>			

**Revenue**

	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
£m				
<b>Revenue</b>	1,133	(50)	32	1,115

**CFO REVIEW CONTINUED**

John Crane delivered organic revenue growth of +3.0% for the year, against a strong prior year comparator of +9.8% growth. Following a robust first half performance, growth in the second half was constrained by a number of operational delivery challenges resulting from the upgrade in machining and testing capabilities, and exacerbated by a longer than expected recovery from the January cyber incident. In H2, John Crane saw sequential quarterly improvement in its operation and organic revenue growth, with momentum gained in the fourth quarter delivering growth of +3.9%. Growth for the year was driven by a stronger performance in original equipment compared to aftermarket, which was more impacted by the cyber incident, though showed good recovery in the fourth quarter.

Market demand remains healthy, with a strong order intake performance in FY2025 resulting in a positive book to bill ratio providing good coverage for the upcoming year. Alongside improved execution, as demonstrated by key operational performance metrics, this supports a positive outlook for FY2026.

Reported revenue declined (1.6)% to £1,115m, reflecting the organic growth offset by a negative (4.6)% foreign exchange impact.

In Energy, organic revenue grew +1.4% (FY2024: +15.9%) with OE growth of +2.3%, benefiting from a continued focus on energy security and efficiency, as well as emissions reduction solutions. Performance was particularly strong in the first half at +12.2%, with the second half decline reflecting a strong prior year comparator of +17.5%. New contracts in the year included a large scale retrofit project in the Middle East to upgrade existing seals with patented diamond-coated technology to reduce friction, increase reliability, and improve energy efficiency. John Crane also secured a supply agreement for high-performance couplings, gas filters, and nitrogen filters as part of a large-scale energy development. These solutions contribute to safer, cleaner, and more efficient operations across critical energy infrastructure.

In energy transition, the pipeline of opportunities John Crane is pursuing across the portfolio, including CCUS, hydrogen and biofuels, continues to expand, currently at c.250 projects (FY2024: c.170). As an example, John Crane played a critical role in supporting renewable energy infrastructure in Europe by supplying sealing systems for more than 300 pumps across three biorefinery projects. These projects support the production of lower-carbon fuels and reinforce environmental compliance across essential transport and energy sectors.

General Industrial showed good growth of +5.6% and was broad based across OE and aftermarket. Growth was largely driven by chemicals, general industry and marine segments, and supported by good growth in aftermarket sales. Elsewhere, in pulp & paper, John Crane renewed and increased the scope of an existing contract with a leading company in Asia for a 5-year period, more than doubling the number of pumps and increasing the use of John Crane Sense Monitor and Smartflow Control, making it the largest managed reliability programme in the region.

Headline operating profit of £265m grew +6.3% on an organic basis, resulting in +80bps of organic margin expansion to 23.8%. This was largely a result of productivity improvements, pricing and efficiency benefits from Smiths Excellence, as well as initial savings from the Acceleration Plan. This performance was in the context of higher investment to increase capacity and efficiency through higher automation and testing capabilities. The programme is substantially completed and expected to finalise in FY2026 and is key to service the current demand and propel future growth.

On a reported basis, headline operating profit was up +1.1%, including a negative foreign exchange impact. The difference between statutory and headline operating profit includes the net cost in relation to the provision for John Crane, Inc. asbestos litigation and costs incurred in relation to the Acceleration Plan.

ROCE was 25.2%, down (10)bps, reflecting the higher level of investment on automation and capacity.

**RD&E and new product development**

Cash RD&E (research, development and customer-specific engineering) expenditure was broadly flat at 5.1% of sales (FY2024: 5.2%). Excluding customer-specific engineering-related projects, the business spent 1.5% of sales (FY2024: 1.6%). John Crane's RD&E focus continues to be on gas compression projects and enhancing the efficiency, performance and sustainability of heavy-duty seals and hydrogen compressors.

In June, John Crane launched its Type 93AX Coaxial Separation Seal, a next generation dry gas sealing solution engineered to help customers reduce emissions, improve equipment reliability, and lower operational costs. The Type 93AX is designed to mitigate both operational performance and financial risks for customers by extending the reliability of the seal system and reducing nitrogen consumption by up to 80% compared to conventional radial separation seals. The initial positive reception of this new innovative product is encouraging, recognising that new product uptake ramps up over time.

John Crane is well placed to support energy transition projects with its extreme temperatures and high-pressure sealing solutions and continues to work with universities, such as the University of Sheffield, to advance on these programmes.

**Operating profit and ROCE**

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
<b>Headline operating profit</b>	263	(13)	15	<b>265</b>
<b>Headline operating profit margin</b>	23.2%			<b>23.8%</b>



## CFO REVIEW CONTINUED

## FLEX-TEK

**Flex-Tek is a global provider of engineered components that heat and move liquids and gases for the construction, industrial and aerospace markets. 81% of Flex-Tek's revenue is derived from general industrial, including construction, and 19% from aerospace. Flex-Tek represents 25% of Group revenue.**

	FY2025 £m	FY2024 £m	Reported growth	Organic growth		
				H1	H2	FY
<b>Revenue</b>	<b>837</b>	<b>786</b>	<b>+6.6%</b>	<b>+2.5%</b>	<b>+6.3%</b>	<b>+4.4%</b>
<b>General Industrial</b>	678	632	+7.4%	+2.0%	+5.9%	+4.0%
<b>Aerospace</b>	159	154	+3.1%	+4.8%	+7.6%	+6.3%
<b>Headline operating profit</b>	<b>164</b>	<b>161</b>	<b>+1.6%</b>	<b>(5.1)%</b>	<b>+2.0%</b>	<b>(1.6)%</b>
<b>Headline operating profit margin</b>	<b>19.5%</b>	<b>20.5%</b>	<b>(100)bps</b>	<b>(160)bps</b>	<b>(80)bps</b>	<b>(120)bps</b>
<b>Statutory operating profit</b>	119	135	(11.9)%			
<b>Return on capital employed</b>	23.7%	26.6%	(290)bps			
<b>RD&amp;E cash costs as % of sales</b>	0.7%	0.4%	+30bps			

## Revenue

£m	FY2024 reported	Foreign exchange	Acquisitions	Organic movement	FY2025 reported
<b>Revenue</b>	786	(24)	41	<b>34</b>	<b>837</b>

Organic revenue increased +4.4% in the year, with growth improving in the second half to +6.3%, following first half growth of +2.5%. Revenue on a reported basis grew +6.6%, with a £41 million contribution from the acquisitions of Modular Metal, Wattco and Duc-Pac, partially offset by a negative foreign exchange translation.

In General Industrial, organic revenue increased +4.0% despite challenging conditions in the US construction market which has persisted throughout FY2025. Flex-Tek has performed strongly against this backdrop reflecting increased demand for heat kits and a notably strong third quarter in our HVAC flexible ducting products. Flex-Tek is well positioned to benefit from a construction market recovery when mortgage rates moderate and given the meaningful housing inventory deficit in the USA.

Flex-Tek's energy efficient solutions for industrial applications posted flat revenue year-on-year, reflecting the phasing of heater product deliveries to support one of its larger contracts, which concludes in H1 FY2026.

Flex-Tek is well placed for further industrial heating project wins, further strengthened following the acquisition of Wattco which brings manufactured process skid systems. Its products, such as certified pressure vessels, integral electric heating platforms, thermodynamic isolation module systems and steam heating support the ever-expanding clean energy and data demand opportunities. A notable recent win was a contract for the provision of electric heaters for an ultra-low carbon emissions electro-fuel project in North America.

In Aerospace, organic revenue grew strongly at +6.3% supported by a healthy order book. Strong growth in the first quarter was supported by buoyant demand across the year, reflecting ongoing aerospace build programmes. In addition, several long-term agreements are being re-negotiated which will help support the future growth of the aerospace business. Flex-Tek aerospace again ended the year with a strong order book which supports healthy demand into FY2026.

## Operating profit and ROCE

£m	FY2024 reported	Foreign exchange	Acquisitions	Organic movement	FY2025 reported
<b>Headline operating profit</b>	161	(5)	10	(2)	<b>164</b>
<b>Headline operating profit margin</b>	20.5%				<b>19.5%</b>

Headline operating profit increased £3m and included an £8m in-year charge to correct for a non-material balance sheet overstatement, as further detailed below. The organic operating margin declined by (120)bps, with the underlying performance reflecting ongoing cost control, partly offset by higher materials costs reflecting mix impacts, and a positive contribution from acquisitions. On a reported basis, headline operating profit increased +1.6%, although the margin declined (100)bps.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangible assets and the provision for Titeflex Corporation subrogation claims. It also includes a £15m charge relating to prior years' balance sheet overstatements at a standalone US industrial site. The issue, which is isolated to this site, has been independently investigated and is now resolved.

ROCE decreased (290)bps to 23.7% reflecting the headline operating profit decline.

During FY2025, three bolt-on acquisitions were completed for a combined net acquisition spend of £121m. In construction, Modular Metal expanded Flex-Tek's HVAC presence into the western US market and broadened its product offering to include Modular Metal's sealed flexible duct solution; Duc-Pac expanded its geographical metal duct coverage into the north-east USA and Wattco expanded the industrial heating portfolio. Integration of all acquisitions is proceeding to plan.

## RD&amp;E and new product development

Cash RD&E expenditure was 0.7% of sales (FY2024: 0.4%), with the increase partly reflecting a re-categorisation of spend from cost of goods sold. RD&E is focused on developing new products for the construction and aerospace markets, and new electrification opportunities within industrial markets.

During FY2025, Flex-Tek launched its 'Blue Series' sealed metal duct system. It uses an innovative approach to sealing which eliminates leakage to provide a more energy efficient solution which reduces installation time, saving contractors cost on materials and labour.

Within General industrial, product development included new heat exchanger systems and medium voltage applications to support growth from energy storage and renewable energy requirements.

## CFO REVIEW CONTINUED

## SMITHS DETECTION

**Smiths Detection is a global leader in threat detection and screening technologies for aviation, ports and borders, urban security and defence. Smiths Detection delivers the solutions needed to protect society from the threat and illegal passage of explosives, prohibited weapons, contraband, toxic chemicals, biological agents and narcotics – helping make the world a safer place. 51% of Smiths Detection's sales are derived from the aftermarket. Smiths Detection represents 29% of Group revenue.**

	FY2025 £m	FY2024 £m	Reported growth	Organic growth		FY
				H1	H2	
<b>Revenue</b>	<b>963</b>	<b>859</b>	<b>+12.1%</b>	<b>+15.3%</b>	<b>+15.1%</b>	<b>+15.2%</b>
Original Equipment	339	272	+24.8%	+43.2%	+17.1%	+27.8%
Aftermarket	376	323	+16.4%	+18.4%	+20.9%	+19.6%
<b>Aviation</b>	<b>715</b>	<b>595</b>	<b>+20.2%</b>	<b>+28.7%</b>	<b>+19.0%</b>	<b>+23.4%</b>
Original Equipment	136	144	[5.8]%	[13.4]%	+7.8%	[3.2]%
Aftermarket	112	120	[6.2]%	[8.8]%	+2.1%	[3.4]%
<b>Other Detection Systems (ODS)<sup>1</sup></b>	<b>248</b>	<b>264</b>	<b>[6.0]%</b>	<b>[11.3]%</b>	<b>+5.2%</b>	<b>[3.3]%</b>
<b>Headline operating profit</b>	<b>122</b>	<b>102</b>	<b>+20.1%</b>	<b>+23.2%</b>	<b>+23.3%</b>	<b>+23.3%</b>
<b>Headline operating profit margin</b>	<b>12.7%</b>	<b>11.9%</b>	<b>+80bps</b>	<b>+70bps</b>	<b>+100bps</b>	<b>+80bps</b>
<b>Statutory operating profit</b>	96	83	+15.7%			
<b>Return on capital employed</b>	11.4%	9.1%	+230bps			
<b>RD&amp;E cash costs as % of sales</b>	5.7%	7.8%	[210]bps			

## Revenue

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
<b>Revenue</b>	859	[23]	<b>127</b>	<b>963</b>

Smiths Detection delivered +15.2% organic revenue growth, successfully converting its strong order book into revenue, driven by significant growth in Aviation, across both OE and aftermarket segments, partly offset by a modest decline in Other Detection Systems (ODS). Looking ahead, its multi-year order book remains strong with growth to continue to be supported by the aviation upgrade programme, albeit at a moderated pace.

Reported revenue was up +12.1% reflecting the strong organic growth, partially offset by an unfavourable foreign exchange impact.

In Aviation, organic revenue grew +23.4%, with OE growth of +27.8%, reflecting the continued strong demand for the latest range of 3D-image computed

tomography (CT) machines for cabin baggage, CTiX. Smiths Detection continues to achieve a good win rate globally in aviation, and to date, has now sold c.1,800 CTiX scanners, which are the first ones to have received the 'up to two litres' re-certification in the UK and EU.

Order intake during the year continued to reflect the ongoing demand for airport scanner upgrades, with notable wins in Australia, Germany, Japan, Poland, Switzerland and the UAE. It is anticipated that the global upgrade programme will continue with the current level of cabin baggage activity into FY2026, along with the associated longer-term aftermarket revenue stream.

Smiths Detection is well positioned for the next upgrade cycle of hold baggage, expected to happen later in the decade. Smiths Detection launched the SDX 10060 XD<sub>i</sub>, based on X-ray diffraction technology, which allows highly accurate material and substance identification based on an object's molecular structure. Smiths Detection is the first company in the aviation sector to have launched this product, which is currently pending regulatory certification. As of July 2025, four units were in operation.

In Aviation aftermarket, Smiths Detection was awarded the renewal of two significant long-term contracts to service both hold and passenger baggage X-ray inspection systems at airports across the USA.

ODS sales declined [3.3]% organically. Following an [11.3]% decline in the first half, reflecting a strong prior year comparator and the phasing of certain contracts, revenue grew +5.2% in the second half driven by ports & borders and urban security products. In urban security, Smiths Detection secured a contract to supply mobile solutions (SDX 6040 X-ray inspection systems) to a major cruise line.

In ports and borders, the business installed four state-of-the-art HCVM™ XL mobile scanners to the Customs and Excise Division of Trinidad & Tobago, as part of a broader effort to enhance national security. In the USA, the business installed three Multi-Energy Portals in Texas enhancing the ability to screen road cargo for dangerous or illegal items ensuring a safer and more secure border. Looking ahead, increased focus on border security controls support improved growth prospects in ports and borders.

In defence, Smiths Detection generated revenue from its multi-year chemical detection contract with the UK Ministry of Defence. It also announced a contract to supply LCD personal chemical detectors to the Japanese Ministry of Defence, for delivery in 2025 and 2026.



## Footnotes

1 Formerly 'Other Security Systems'



CFO REVIEW CONTINUED

Operating profit and ROCE

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Headline operating profit	102	(3)	23	122
Headline operating profit margin	11.9%			12.7%

Headline operating profit increased +23.3% on an organic basis for the year, reflecting the strong organic revenue growth and favourable pricing combined with a positive mix effect and focus on cost efficiencies. Headline operating profit margin of 12.7% was up 80bps on both an organic and reported basis, building further on a recent history of consistent margin expansion, with further upside potential.

On a reported basis, headline operating profit was up +20.1%, including a negative foreign exchange translation, with the difference between statutory and headline operating profit reflecting amortisation of acquired intangibles.

ROCE increased by +230bps to 11.4%, driven by the headline operating profit growth.

On 1 August 2025, Smiths Detection acquired Med Graphix Inc. (MGI), based in New Jersey, USA, a service and repair partner of over two decades and third-party depot supplier. This acquisition, although small in nature, enhances Smiths Detection’s sustainable service offering by extending the lifecycle of critical components through repair, refurbishment, and reuse. This capability reduces operational risk and further improves our ability to meet customer service needs.

RD&E and new product development

Smiths Detection’s strong competitive positioning in Aviation is a reflection of its technical leadership, world-class innovation capabilities, and commitment to quality, reliability and safety. These strengths are further reinforced by deep, long-standing relationships with customers and regulators, a comprehensive global service network, and advanced digital capabilities.

In FY2025, the business invested 5.7% of sales in RD&E in cash terms (FY2024: 7.8%) to support investment in next-generation detection capabilities, with the year-on-year decline largely a reflection of the strong revenue growth. This included £17m in customer funded projects (FY2024: £20m).

As a result, Smiths Detection continues to maintain a leadership position in aviation security through a series of industry-first innovations. As an example in FY2025, its iCMORE APIDS (Automated Prohibited Items Detection System) software solution became the first automation platform to receive regulatory approval for deployment in a live airport environment, with successful implementation at Schiphol Airport. This underscores the company’s commitment to innovation, regulatory alignment, and operational excellence.

Smiths Detection also continues to partner with companies and universities in the development of new products. For example, in May 2025 it signed a partnership with Xbat.ai to develop an innovative battery sorting solution, and since April 2024, it has been collaborating with University of Exeter to advance in the enhancement of our aftermarket service offering through digital solutions.

## CFO REVIEW CONTINUED

## SMITHS INTERCONNECT

Smiths Interconnect is a leading provider of high reliability connectivity products and solutions serving segments of aerospace and defence, medical, semiconductor test and industrial markets. Smiths Interconnect represents 13% of Group revenue.

	FY2025 £m	FY2024 £m	Reported growth	Organic growth		
				H1	H2	FY
Revenue	421	354	+18.9%	+26.8%	+18.9%	+22.5%
Headline operating profit	75	49	+51.9%	+80.3%	+41.4%	+57.2%
Headline operating profit margin	17.8%	13.9%	+390bps	+510bps	+300bps	+390bps
Statutory operating profit	35	46	[23.9]%			
Return on capital employed	16.7%	10.4%	+630bps			
RD&E cash costs as % of sales	6.1%	6.2%	[10]bps			

## Revenue

	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Revenue	354	[11]	78	421

Smiths Interconnect's organic revenue increased +22.5% in FY2025, supported by strong growth in the semiconductor market, new product launches and improved market conditions in the growing aerospace and defence segments in both the USA and in Europe.

Reported revenue increased +18.9%, with the organic movement partly offset by a negative foreign exchange impact.

Growth was broad based across all businesses, demonstrating the strength of the portfolio and the innovative product offering. There was particularly strong growth in semi-conductor test reflecting our leading market position in high performance products.

Semi-test growth reflected large programme wins from major global technology customers, particularly in test products for high-speed GPU and AI semi-conductor chips, which drove revenue growth significantly above the market.

Growth in aerospace and defence was also strong, reflecting high demand for differentiated technology in fibre-optic, radio-frequency and connector products, with particularly notable demand for our interposer and optical transceiver products. The robust market backdrop, combined with our strong customer programme wins, underpins our growth expectations for FY2026.

## Operating profit and ROCE

	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Headline operating profit	49	[1]	27	75
Headline operating profit margin	13.9%			17.8%

Headline operating profit increased +57.2% on an organic basis, resulting in a +390bps rise in organic operating profit margin to 17.8%. The year-on-year improvement reflected strong operational leverage, efficiency improvements and Smiths Excellence benefits, partly offset by higher employee-related costs in the light of the improved year-on-year performance. On a reported basis, headline operating profit increased +51.9% and statutory operating profit declined [23.9]%. The difference between statutory and headline operating profit reflects the amortisation of acquired intangibles and disposal-related costs. In addition, an impairment on disposal of £30m was recorded as a result of an agreement to sell its US sub-systems business unit, as part of the strategic initiative to separate Smiths Interconnect. (See note 28.)

ROCE improved +630bps to 16.7%, driven by the higher operating profit.





CFO REVIEW CONTINUED

RD&E and new product development

Cash RD&E expenditure as a percentage of sales was 6.1% of sales (FY2024: 6.2%). RD&E is focused on developing highly specialised new products that improve connectivity and product integrity in demanding operating environments in mission critical end markets where precision, reliability and durability are vital.

Following the recent success of the industry award-winning DaVinci 112 high-speed semiconductor test socket, Smiths Interconnect launched DaVinci Gen V, the latest flagship product in this portfolio. It delivers ultra-reliable testing at the fastest speeds for some of the most complex functionality of integrated circuits of chips, used in AI, data centres, 6G communications and advanced computing applications. As integrated circuits evolve – doubling in bandwidth and computational power every two years – DaVinci Gen V is designed for seamless integration, allowing manufacturers to transition effortlessly, reduce development cycles and accelerate time-to-market.

In connectors, Smiths Interconnect launched the EZiCoax interposer connectors, designed to be used in high-value aerospace and defence applications, such as satellites and advanced radar systems, where it will help enable secure, precise and reliable communications. Also, Smiths Interconnect extended its high density modular and mini-modular connectors ranges with the addition of the Cat5e and Cat6A data transmission modules. These products deliver reliable performance in harsh environments providing efficient signal transmission, reducing data errors and ensuring high-speed communication for customers.

Smiths Interconnect’s UK facility in Dundee successfully launched its new CAD-to-FAB capability this year, accelerating growth in defence and aerospace programmes by leveraging rapid-prototyping and design innovation alongside cost-effective production processes. Supported by the UK Space Agency’s Space Clusters Infrastructure Fund, CAD-to-FAB initiatives are now delivering isolators, circulators, filters and multi-function assemblies to a growing number of UK and global defence and aerospace customers. Continued technical advancements and collaborative efforts in this capability will maintain its leadership in high-performance RF ferrite device manufacturing, further expanding its global footprint.

Space grade products are a key development focus, particularly in radio frequency and optical products. During the year, Smiths Interconnect’s products supported several high-profile space campaigns, including the Europa Clipper mission to explore one of Jupiter’s moons and the Sentinel-1C satellite, the EU’s leading Earth observation initiative. Smiths Interconnect provided cutting-edge connectivity solutions – supplying isolators, hyperboloid and spring probe solutions, and circulators, which are designed to withstand the harsh conditions of space and ensure consistent performance.

# OUR PEOPLE AND CULTURE

Smiths is a people-orientated company. Our people are fundamental to delivering our strategy and enabling a high-performance organisation.

We have a healthy, values-led and results-driven culture that inspires Smiths colleagues every day to contribute, innovate and perform better. To strengthen our culture, we focus on engagement, communication and activities that promote belonging through our shared purpose and Values. Promoting belonging also means providing physically and psychologically safe environments and meaningful connections so that every colleague feels seen, heard and valued.

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

Our culture has three critical pillars:

1.

## Our Values

Our Values are the things that are most important to us as an organisation. They make us reliable, trustworthy and valued partners, and they make Smiths a great place to work. We live our Values every day, in each action and decision that we take.

2.

## Code of Business Ethics

Smiths has been built on a foundation of doing business the right way. Our Code of Business Ethics is the natural extension of our Values and outlines the standards of behaviour to which we all commit and that we expect of our business partners. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. See our Code on [www.smiths.com](http://www.smiths.com)

3.

## Excellence and continuous improvement

We have a common, practical approach to continuous improvement in our operations and processes – Smiths Excellence. Smiths Excellence tools and expertise are deployed throughout the Group to identify, accelerate and deliver critical operational and functional projects that make us faster to market, more innovative and responsive to customer needs, more efficient and more sustainable. Excellence is also a state of mind at Smiths – the way we think and go about our daily work.

## The Smiths Values

**Integrity**

We do the **right thing**

**Respect**

We **respect** others

**Ownership**

We take **responsibility**

**Customer Focus**

We earn our **customers' trust**

**Passion**

We are united in **purpose**

# BUILDING OUR CULTURE

## Engaging with our people

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

## My Say engagement survey

We have been tracking colleague engagement on cultural measures since 2017. 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.

78% of the Group's employees participated in our FY2025 pulse survey. Our overall engagement score (how happy are you working at your company) fell slightly versus FY2024 to 72. This was not unexpected given the strategic update announcement at the end of January 2025 and our score remains close to the industry benchmark of 74. We were very pleased to continue to score in the upper quartile for safety, respect and environment. We also scored in line with or close to benchmark for values/ethics, learning and growth, and well-being.

Results from the survey and recommendations are reported to, and discussed by, the Executive Committee and the Smiths Board to ensure that they are reflected in our planning, and we make efforts to address lower scoring areas. Our businesses and functions use the data to identify improvement opportunities to work on in the coming year.

## Speaking out

Ensuring that we engage colleagues on ethical matters and our Code of Business Ethics is imperative. Our colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our Code, policies or inconsistent with our Values. This can be done via internal channels or by using our confidential Speak Out reporting hotline, which is accessible to colleagues and third parties 24 hours a day, seven days a week. Reports to the hotline can be made anonymously.

We also undertake a regular global Ethics Pulse survey which delivers data on colleague perceptions on ethical matters. This data is reported to the Audit & Risk Committee of the Board, along with Speak Out data.

## Engaging with colleagues and building Smiths culture in FY2025

A healthy culture and sense of belonging needs continuous care and attention. Here are some of the ways we built our culture in FY2025:

- The CEO hosted global town halls for our results announcements in September 2024 and March 2025
- Aligned leadership of key aspects of our culture under one member of the Executive Committee – our Chief People, Sustainability and Excellence Officer. Integrating these strands underpins and powers our culture
- Held two global leadership summits for our extended leadership team (c. 470 colleagues). Board members also held one-to-one meetings with senior leaders
- Undertook My Say engagement pulse survey
- Launched 'Better Connected' newsletter to communicate culture and amplify the effect of our combined people, sustainability and Excellence functions
- Continued our 'internal first' approach to people development and talent progression, with 75% of senior individual contributor roles taken by internal candidates

- Reached the milestone of 9,000 colleagues completing Smiths Excellence Fundamentals training to deliver grassroots understanding of Smiths Excellence principles. We have now celebrated colleagues achieving 126 black and 439 green belts.
- Launched interactive Smiths Excellence toolbox playbook, a comprehensive 'one-stop-shop' for all Excellence needs including Excellence tools, training resources and real-world examples of applied continuous improvement from across Smiths
- Completed deployment of our Lean programme to all sites with more than 100 colleagues
- Utilised UK Apprentice Levy funds to expand our UK apprenticeship programme, including to degree-level, and upskill existing team members via degree and Masters qualifications
- Established a steering committee to develop a global early careers strategy for John Crane
- Created a bitesize 'Respect' training module in support of our business ethics engagement activity
- Relunched our THRIVE well-being hub in our communications platform, as well as grassroots communities for women, veterans, pride, black and neurodiverse colleagues
- Celebrated Smiths Day in June 2025. Our teams worldwide used the day to focus on our culture and our communities, arranging social events and undertaking volunteer projects
- Our businesses recognised and celebrated key cultural awareness events including International Women in Engineering Day; International Women's Day; Black History Month; Veterans' Day; and PRIDE

The Smiths Group Foundation made its second tranche of grants to seven non-profit organisations focused on expanding access to science, technology, engineering and maths (STEM) skills, and on using engineering to improve safety, connectedness and sustainability. In two years we have made grants totalling nearly £1.7m to 19 organisations and worked with recipients to offer volunteering opportunities for colleagues that benefit both parties. All Smiths colleagues are supported to take one paid volunteering day per year.

+

72

FY2025 overall employee engagement score (FY2024: 75)

+

&gt;9,000

colleagues completed Smiths Excellence Fundamentals training

+

£1.7m

grants made by The Smiths Group Foundation over two years

+

&gt;14,000

individuals directly benefited from Smiths Group Foundation grants made in FY2024. More than 62,000 people indirectly benefited<sup>1</sup>

<sup>1</sup> Data provided by Charities Aid Foundation.

# MANAGING OUR RISKS

Effective risk management is integral to our ability to deliver sustainable growth and long-term value. It supports strategic execution, enables us to respond decisively to an evolving risk landscape, and helps ensure the resilience of our operations and portfolio.

Our approach reflects the structure of the Group, the nature of our markets, and the ambition embedded in our transformation. Our enterprise-wide framework provides a clear and consistent structure for managing risk, while our operating model ensures that those closest to the business are empowered to make timely, risk-informed decisions. This combination supports agility and responsiveness across the Group.

As we reshape our portfolio through the planned separations of Smiths Interconnect and Smiths Detection, risk management plays a central role in guiding how we protect and enhance value for stakeholders. While Smiths Interconnect is accounted for as a discontinued business held for sale, we continue to include it in our assessment of risk and the potential impact on the Group.

## Our approach to risk management

Risk management is embedded across all levels of the organisation. Our businesses and functional teams are empowered to identify and manage risks at source, enabling timely, informed decision-making. This local accountability is aligned with our Group Values – Integrity, Respect, Ownership, Customer Focus and Passion – and reinforced through our enterprise-wide controls.

We take a balanced and forward-looking view of risk, recognising that well-managed risk-taking supports innovation and growth. Our framework enables us to assess both downside exposures and upside opportunities, supporting delivery of our strategic priorities in high-performance industrial technologies that address energy efficiency, productivity and sustainability.

Our enterprise risk management 'ERM' approach is aligned with our purpose – to engineer a better future – and integrated into our strategic planning, capital allocation, and operational management processes.

## Evolving risk profile and future risk assessments

As the transformation of our portfolio progresses, we recognise that the Group's risk profile will evolve in line with changes to our business mix, geographic footprint and end markets. In particular, the planned separations of Smiths Interconnect and Smiths Detection will result in a higher concentration of revenue in markets such as oil & gas and US construction.

These shifts are expected to introduce new dynamics to the Group's risk landscape, including areas of heightened exposure and opportunities. For example, increased market concentration may amplify sensitivity to sector-specific and regional trends, such as commodity price volatility, regulatory changes, or macro-economic cycles in particular end market geographies, notably the United States.

To ensure our principal risks remain relevant and reflective of the business we are becoming, in FY2026 we will undertake a comprehensive reassessment and refresh of the Group's risk universe as the portfolio transformation progresses. This review will evaluate:

- Whether existing principal risks require recalibration to reflect changing exposures
- The potential for new risks to emerge in connection with our strategic focus and market concentration
- The continued appropriateness of our risk mitigations, controls and assurance mechanisms in the light of these developments

This proactive approach will ensure that risk management continues to support the delivery of our strategy and provides a strong foundation for long-term sustainable growth.

## Governance and oversight

The Board has overall responsibility for risk oversight and sets the tone from the top, defining the Group's risk appetite and ensuring appropriate governance and culture are maintained across the business. Risk oversight is exercised through strategic and business reviews, Committee meetings, management reporting and thematic deep dives.

The Executive Committee is responsible for ensuring the ERM framework is embedded and consistently applied across all businesses and functions. The Audit & Risk Committee evaluates the effectiveness of the risk management system and internal controls, while Internal Audit provides independent assurance over key processes and risk areas.

This top-down approach helps to define the Group's culture and attitude towards risk at all levels of the business; whilst communication flows between the Board, Audit & Risk Committee, Executive Committee, and local teams to ensure risk insight, escalation and action are effectively coordinated and acted upon.



### ERM framework

See our ERM framework

[→ Page 27](#)



### Audit & Risk Committee

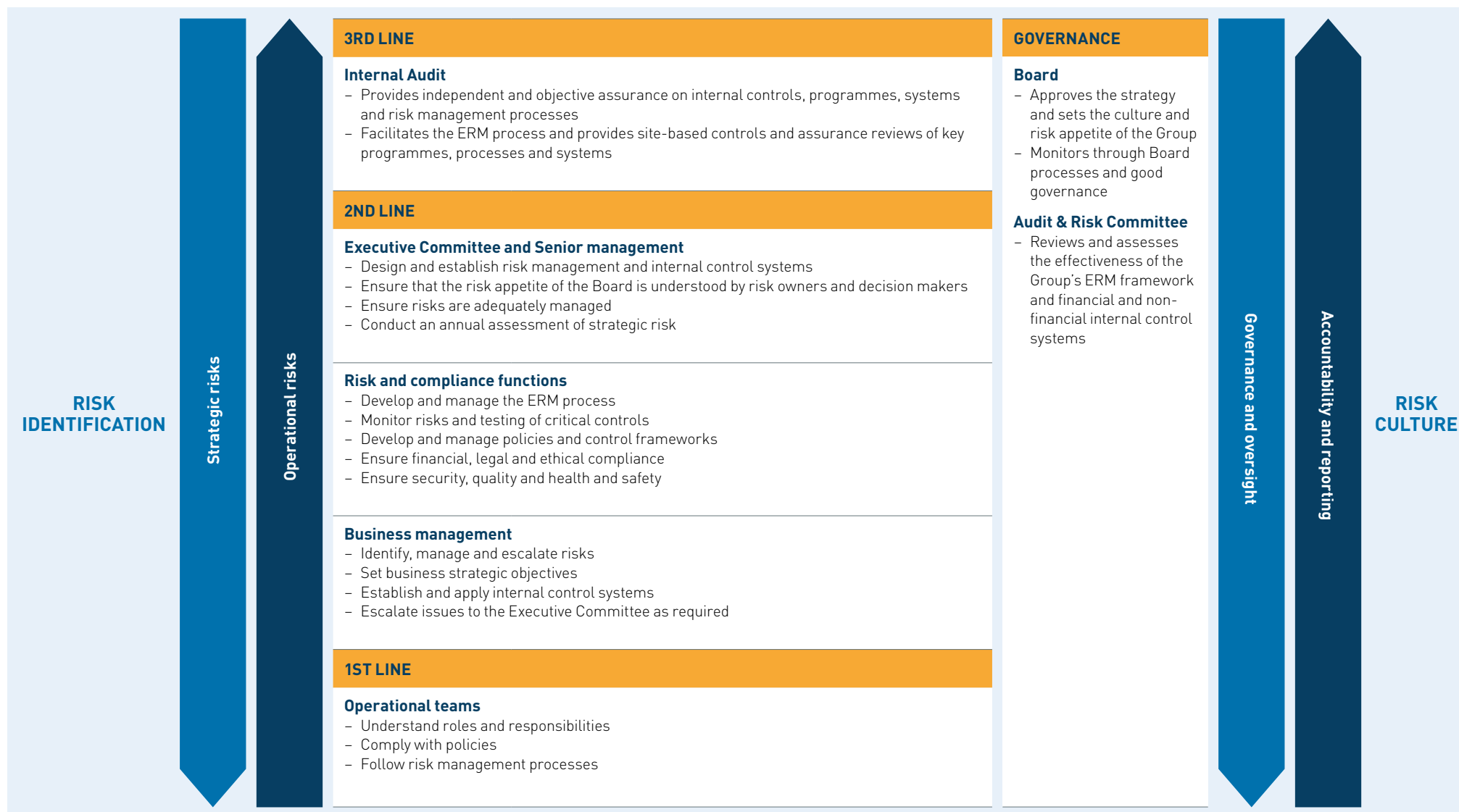
Read more about Board oversight of risk management and internal control in the Audit & Risk Committee report

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## MANAGING OUR RISKS CONTINUED

## Our ERM framework

Development of the Group's ERM framework is the responsibility of the Executive Committee which ensures it is effectively deployed throughout the Group. 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.





**MANAGING OUR RISKS CONTINUED**

Risk identification and assessment is embedded within the Group's day-to-day operations and strategic planning processes. Our businesses and functional teams are responsible for identifying, assessing and responding to the risks they face, including the early recognition of emerging issues. These risks are captured in local registers and reviewed through both structured assessments and ongoing management dialogue.

Each year, our businesses conduct a formal assessment of their risk profiles as part of the Group's enterprise risk cycle. These assessments include evaluation of likelihood and potential impact, review of existing mitigations, and identification of any required enhancements. In FY2025, the Principal Risk Register and all business risk registers were refreshed to ensure the most current insights were captured. In addition, 19 operational risk workshops were facilitated across key sites to enhance the bottom-up view of risk and ensure strong local engagement in the Group-wide process.

To complement the business-level view, the Executive Committee leads a top-down risk review that integrates business inputs, external insights and strategic considerations. This includes a review of the Group's principal and emerging risks, assessment of risk appetite, and evaluation of current and planned mitigations. Outcomes are reviewed by the Audit & Risk Committee and submitted to the Board for approval as part of its risk oversight responsibilities.

The ERM timetable is agreed annually by the Executive Committee and includes a schedule of deep-dive reviews on specific risk areas at Executive, Committee and Board levels. In FY2025, these included:

- Cyber
- Legal and compliance
- Geopolitical risks, including the impact of tariffs

Additional Board and Committee discussions throughout the year covered a wide range of strategic and operational risk areas including: financial performance; tax and treasury; pensions and insurance; geopolitical risk; artificial intelligence and digital innovation; health and safety; acquisitions; litigation; ESG matters; strategic transformation; and our people strategy.

**Controls and assurance**

In line with requirements for risk owners to demonstrate how they provide assurance that controls are working effectively, examples have been provided as part of our principal risk descriptions starting on page 29. In response to the updates to the UK Corporate Governance Code regarding internal control, we are actively preparing to meet the requirements of Provision 29 ahead of the declaration on the effectiveness of material controls due in the FY2027 Annual Report. This work continues to build on our existing global control framework with activities to define and map the Group's material controls and assurance processes ongoing.

Control improvements and risk mitigations are monitored through the Group's integrated risk, control and assurance systems. Where actions are required to enhance management of a specific risk, these are formally tracked and reviewed through relevant reports under the Global Controls Framework and through Internal Audit follow-up. During the year the Audit & Risk Committee considered those controls relating to ten principal risks.

In FY2023, we completed our first ESG double materiality assessment (DMA) which validated our existing prioritisation of ESG related topics. It provided a robust analysis of critical enablers and emerging matters of interest and importance to our multiple stakeholders, as well as emerging regulatory requirements. Building on this, in FY2025, we refreshed our DMA to assess materiality for Smiths of European Sustainability Reporting Standards (ESRS) topics in our operations and our value chain in preparation for future reporting requirements including the Corporate Sustainability Reporting Directive (CSRD). See page 37 for more information. We also conducted a new climate scenario analysis under the Task Force on Climate-related Financial Disclosure (TCFD) framework to assess our climate risk over six scenarios (three physical and three transition). See page 46.

**Emerging risks**

Emerging risks and horizon scanning are integrated into our ERM process with activities taking place across our businesses and sites to identify risks specific to their business lines. Functions in the business often take the lead in identifying and promoting risk awareness and mitigation activities, while raising those of a material nature up to the attention of the Audit & Risk Committee.

At present, we are monitoring the regulatory landscape for changes that could limit the use of certain restricted substances, IT vendor concentration, cyber threats, and the risks and opportunities associated with the adoption of artificial intelligence.

The Directors consider the risk management process to be effective.

**Going Concern and Viability Statement**

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**Sustainability topics**

Read more about our material sustainability topics and DMAs

[→ Page 37](#)

**Climate scenario analysis**

Read more in TCFD

[→ Page 46](#)

# PRINCIPAL RISKS AND UNCERTAINTIES

We maintain a register of principal risks and uncertainties faced by the Group which could materially impact our financials, operations and achievement of our strategic ambitions.

## Risk review process

On an annual basis we review each risk and rate a number of factors: gross impact, applying the hypothetical assumption there are no mitigating controls in place; residual impact and likelihood, taking into account existing mitigating controls; the reputational impact of a risk; and velocity, which reflects the expected time we would have to react should a risk materialise. These, in turn, drive mitigation priorities. 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 response to our changing risk environment. This year, based on our monitoring of emerging risks, none have been deemed material enough to be promoted to being principal risks.

However, during FY2025, the Group added Strategic transformation as a new principal risk in recognition of the scale, complexity, and potential impact of the ongoing portfolio reshaping. This includes the proposed separation of Smiths Interconnect and Smiths

Detection, and the strategic ambition to reposition the Group toward scalable growth in high-performance, future-oriented industrial engineering.

This risk reflects the potential for disruption or failure in executing key elements of the transformation, including transaction risk, dis-synergies, resource capacity, and integration of new organisational models. It also

considers risks to employee engagement, customer confidence, and business continuity during the transition period.

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
<b>1. Economy and geopolitics</b> Economy and geopolitical environment	High	Moderate	Likely	Days	↗
<b>2. Cyber security</b> Enterprise or product cyber event	High	Moderate	Almost Certain	Days	↗
<b>3. Business continuity</b> Business disruption to supply chain or operations	High	Moderate	Probable	Weeks	—
<b>4. Technology</b> Disruption by existing or future competitors	Very High	Moderate	Probable	Years	—
<b>5. Product quality</b> Failure of product causes serious harm to people/property	Moderate	Low	Probable	Weeks	—
<b>6. Commercial</b> Loss of focus on customers, not competing in the right markets	High	Low	Possible	Years	—
<b>7. People</b> Ability to attract and retain people	Moderate	Low	Possible	Months	↗
<b>8. Legal and compliance</b> Significant ethical breach or failing to meet contractual obligations	High	Low	Possible	Days	—
<b>9. Climate change</b> Missed opportunities in energy transition and change in climate conditions causing business disruption and economic loss for the Group	High	Low	Possible	Years	—
<b>10. Strategic transformation</b> Failure to deliver operational, financial, or reputational value when executing strategic transformation	Very High	Very High	Possible	Months	✱



### Key

#### Likelihood

Almost certain

>80%

Likely

>60%

Probable

>40%

Possible

>20%

Unlikely

<20%

#### Trend year over year

✱ New

— 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
<b>Economy and geopolitics</b>		✓	✓			✓	✓			
<b>Cyber security</b>	✓		✓	✓						
<b>Business continuity</b>	✓	✓					✓		✓	✓
<b>Technology</b>		✓				✓	✓		✓	
<b>Product quality</b>						✓		✓		
<b>Commercial</b>	✓			✓	✓				✓	✓
<b>People</b>	✓		✓	✓				✓	✓	✓
<b>Legal and compliance</b>					✓		✓		✓	
<b>Climate change</b>			✓	✓		✓	✓	✓		
<b>Strategic transformation</b>			✓			✓	✓			



## CEO review

Read more in the  
CEO review

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

The challenging and increasingly unpredictable economic and geopolitical landscape in which we operate is subject to external influences including inflationary pressures, regional conflicts, and newly imposed trade restrictions. Such factors may adversely affect demand for our products, increase input costs, and impact profitability. Trade barriers, such as recent U.S. tariffs on international imports and retaliatory measures from other nations, could disrupt supply chains, reduce market access, and undermine our global competitiveness.

**How this could impact our strategy or business model**

- Geopolitical tensions relating to Russia, China, India and the Middle East could adversely impact our operations
- The introduction of new tariffs and/or taxes could adversely impact our financial performance
- A regional or global recession could reduce demand for our products
- If we are unable to pass additional inflation on through pricing, our financial performance may suffer
- US export controls on high-end mechanical components (e.g., carbon/graphite face materials)

are tightening. New Chinese non-tariff barriers (licensing/preferential domestic sourcing) risk eroding market share

**Examples of how we manage this risk**

- Our geographic footprint and diversified portfolio of businesses mitigate the exposure we have to any one country or sector
- Our businesses monitor order flows and other leading indicators to enable a quick response to deteriorating market conditions and tariffs/trade barriers
- Our government relations team actively monitors relevant developments and represents our interests
- Our network of trade compliance officers across the Group monitors current and future changes in regulation, oversees import and export activities and continually assesses trade compliance risks and the adequacy of the Group's controls. See also legal and compliance risk on page 34
- The Board receives ad-hoc updates from external speakers on geopolitical events

**Examples of how we know the controls are working effectively**

- Business reporting on order trends at monthly operating reviews
- Active tracking of inflation and pricing at monthly operating reviews

**Developments in FY2025**

- In early FY2025 we performed scenario analysis linked to rising tensions in the South China Sea which could impact strategic supply chains for our Smiths Detection business. As a result, we have implemented robust internal mitigations through adjusting our approach to inventory management to reduce the impact of changes in the global geo-political environment on our critical manufacturing operations
- We continue to monitor the impact of changing tariff policies, oil prices, and interest rates on our critical markets. Geopolitical tensions, particularly in Eastern Europe and the Middle East, are driving energy price volatility, influencing global energy investment, and increasing the risk of supply chain disruption

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

Cyber attacks attempting to compromise the confidentiality, integrity, and availability of IT systems and operational data are a continuing and intensifying risk. We operate in markets and product areas which are known to be of interest to cyber criminals. With increasing digitalisation and reliance on third-party platforms, any breach may cause disruption, data loss, regulatory penalties, and reputational damage.

**How this could impact our strategy or business model**

- If a cyber attack compromised confidentiality, integrity or availability of our assets, it could adversely affect our ability to deliver to customers and, ultimately, our financial performance and reputation
- If we had a cyber security breach, we could be exposed to significant losses, particularly concerning our security products. These could include not only customer losses but also those of a potentially large class of third parties

**Examples of how we manage this risk**

- Board oversight of the defence in depth approach to mitigating cyber risk
- Proactive focus on information and cyber security risks supported by a robust governance framework
- Group-wide assessment of critical information assets and protection to enhance security
- Information Security Awareness programme
- Security monitoring to provide early detection of hostile activity on Smiths networks and an incident management process
- Partnership and monitoring arrangements in place with critical third parties, including communication service providers
- Cyber risk analysis and mitigations embedded in the product lifecycle process to increase resilience

**Examples of how we know the controls are working effectively**

- Formal reviews with the Executive Committee and the Board

- Vulnerability scanning/event reporting
- External reviews of threats, processes, controls and capabilities
- Mandatory staff training
- Compliance with recognised standards

**Developments in FY2025**

- In January 2025, our systems were targeted by a sophisticated cyber attack. Although immediate containment prevented permanent data loss, there was significant downtime across multiple systems and business units impacting procurement, manufacturing, and customer service
- Remediation activities were prioritised across the Group with action being taken to reduce our future vulnerability. These are being monitored by our Internal Audit function

## 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**

- If we are unable to deliver products and services to our customers, it will adversely affect our financial performance and reputation
- Cost pressure and volatility in commodities, goods and labour may affect our ability to serve customers and erode our competitive advantage

**Examples of how we manage this risk**

- Smiths Excellence has increased our focus on resilient and cost-effective supply
- We have business continuity and disaster recovery plans in place for critical locations

- We regularly evaluate key sites against a range of risk factors using external benchmarks
- Mitigation plans are in place for sole source suppliers, sub-contractors and service providers, including qualifying alternative sources of supply where appropriate
- Property damage and business interruption insurance is in place

**Examples of how we know the controls are working effectively**

- We test business continuity plans annually
- Business risk mitigation plans 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 FY2025**

- In January 2025, we activated our business continuity plans in response to a sophisticated cyber attack targeting our systems. Following this, lessons learned have been identified, and further enhancements to our business continuity planning process will take place in FY2026

**Operational resilience**

Read more in the CEO Q&A

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## 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**

- If our technological differentiation were to erode, it could have an adverse effect on our financial performance and our ability to attract and retain talent
- We may fail to deliver anticipated organic growth, which may lead to missing strategic growth targets and shareholder value erosion

**Examples of how we manage this risk**

- We proactively position our portfolio around the most attractive markets where we can sustainably hold a leadership position based on technology differentiation
- We diversify our portfolio to serve a range of sectors and geographies, and mitigate exposure to any one sector or area
- Continued investment in RD&E (4.3% of Group revenue) with an increasing focus on shared digital development
- We focus on nurturing a culture of innovation
- We focus on processes that support new product development and commercialisation
- We track Gross vitality as a KPI

- We maintain robust intellectual property (IP) protection via patents and other protections, and pursue litigation to protect our differentiation, where appropriate

**Examples of how we know the controls are working effectively**

- Product commercialisation progress is assessed as part of the monthly operating reviews
- The consideration of technology priorities as part of our long-term strategic planning
- Regular reviews by the Innovation, Sustainability & Excellence (ISE) Committee of both new product development and commercialisation

**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**

- If our products were to cause material harm to people or property and/or business interruption for customers due to quality issues, design defects, manufacturing failures or component failures, we could suffer reputational damage, loss of business and higher costs beyond anticipated warranty claims
- These may include contractual claims for penalties, indemnities and damages, and product liability claims arising from end-users and other affected third parties (potentially large classes). If we were to suffer reputational damage, it could lead to a loss of customers/future business

**Examples of how we manage this risk**

- Business quality risk assessments that address product failures, product performance, product safety, product compliance and regulatory compliance
- Quality assurance processes embedded in manufacturing locations for critical equipment, supporting compliance with customer requirements and industry regulations
- Quality development and quality integration built into new product development processes
- Risk analysis and mitigation processes relating to product cyber resilience embedded in the product lifecycle process. Proactive steps taken to ensure product cyber-related risks are continually monitored and managed
- Insurance cover for product liability and other related risks such as aviation grounding. Insurance and legal teams collaborate to ensure that contracts (and supplier flow-downs) cover insurance issues, and that claims are notified

- Contracting and litigation managed under the oversight of the Group General Counsel with regular reporting to the Executive Committee and Board

**Examples of how we know the controls are working effectively**

- Regular quality reporting (e.g., cost of poor quality (COPQ)) and actions to drive improvement in key metrics
- Group and business governance frameworks (including Delegation of Authority) ensure a close working relationship between legal and commercial teams (including quality) to manage risks



**Going Concern and Viability Statement**

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## 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, 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

- If we fail to develop growth markets and geographies, it could affect our strategic progress and financial performance
- Significant disruption to government budgets could result in fewer contracts being awarded to Smiths, adversely affecting our financial performance
- If we do not innovate in line with our customers' needs, we may lose market share, adversely impacting our results
- Lack of growth and/or erosion of our market leadership positions could impact our ability to attract and retain talent

- Both Flex-Tek and John Crane see cyclical pressures in end markets (oil & gas capex cuts vs subdued US housing market)

### Examples of how we manage this risk

- New product innovation feedback through market research and direct feedback from existing and potential customers
- Our diversified portfolio of businesses mitigates exposure to any one country, sector or customer
- Our growth strategy places emphasis on expanding operations in higher-growth customer markets as well as geographic regions which are currently underserved, including Asia
- Our regular strategy reviews evaluate adjacent market opportunities and the evolving competitive environment including reviewing new/potential market entrants

- Our Government Relations function collaborates with colleagues across the Group to advise on developments

### Examples of how we know the controls are working effectively

- Strategic reviews, including commercial excellence reviews, business deep-dives, and detailed monitoring of pricing
- Customer input is gathered frequently to inform new product development, marketing segmentation/communication, and customer service improvement
- Strong and long-term customer relationships

## 7. People – Ability to attract and retain people

Failing to attract, develop, and retain the right people with the right skills may affect our ability to achieve our commercial ambitions, particularly in the light of the planned separations of Smiths Interconnect and Smiths Detection and the inherent uncertainty such plans have created regarding some roles and functions.

### How this could impact our strategy or business model

- If we do not attract and retain key talent, our business performance may suffer
- If we do not retain key management when we make acquisitions, we may not realise the value of those acquisitions
- Remaining staff may interpret the separations as a signal that rollbacks may occur across Group functions, leading to retention risk (voluntary turnover) within the Group, Flex-Tek or John Crane
- Functional teams including people management, legal, finance, or other functions that previously

- had budgets allocated based on supporting the entire Group will see funding reallocated. If this isn't communicated clearly, it can erode engagement among experts who worked across functions
- High potential employees who previously rotated through our businesses will have fewer opportunities to gain cross-business experience, slowing the development and engagement of future leaders who benefit from multi-disciplinary exposure

### Examples of how we manage this risk

- Fair and competitive pay practices
- Focus on people development and promotion from within
- Ongoing investment in leadership training
- Investment in early career programmes
- Diversity and inclusion initiatives
- Establishing the talent attraction organisation
- Increasing internal talent mobility

### Examples of how we know the controls are working effectively

- Formal and informal measures of culture, for example, our regular employee engagement surveys
- The Remuneration & People Committee's regular review of key people metrics

### Developments in FY2025

- In response to the risks to employee retention related to our strategic transformation, we set up employee retention programmes to ensure retention of our critical employees and reduce uncertainty, disengagement, and attrition among key personnel



### Markets and megatrends

Read more about our markets and megatrends

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### People and culture

Read more about people and culture

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## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

We have more than 16,000 colleagues in more than 50 countries. Individuals may not all behave in accordance with the Group's Values and in accordance with ethical and legal requirements. We operate within increasingly complex legal regimes, often in highly regulated markets and with governments, customers and suppliers requiring strict adherence to laws. We may fail to deliver contracted products and services or fail in our contractual execution due to delays or breaches by our 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, customer relationships and our ability to attract and retain talent
- Failure to comply with evolving and increasingly international trade compliance requirements (import and export) increases compliance risk and could lead to significant fines and business disruption including delays to procurement or supplies
- Failure to meet strict conditions within government contracts, particularly in the US, could prevent us from bidding for contracts or have other serious financial and reputational consequences
- Breach of contract resulting in significant expenses due to disputes and claims, loss of customers, damage to our reputation with other customers/

prospective customers, and loss of revenue and profit due to higher costs, liquidated damages or other penalties

- Contracts, particularly those with governments, may include terms that provide for unlimited liabilities, including for loss of profits, IP indemnities, perpetual warranties or allowing the counterparty to cancel, modify or terminate unilaterally and seek alternative sources of supply at our expense

**Examples of how we manage this risk**

- Our ethics and compliance team run a proactive programmatic approach, areas of which are at different stages of maturity including:
  - Managing an independent Speak Out reporting line and investigations process with communications encouraging the reporting of ethics violations (includes ability to report anonymously and a non-retaliation policy)
  - Anti-bribery and anti-corruption training is mandated for all employees online; and in-person training with a process for monitoring and reporting compliance
  - Policies and processes to mitigate risks are in place, including agent and distributor-related risks through due diligence, contractual controls and internal approvals
  - Anti-trust training programmes

- Modern Slavery and Transparency Statement and procedures to reduce the risk within the Group and our supply chain
- Network of trade compliance officers across the Group who monitor current and future changes in regulation and oversee import and export activities and continually assess trade compliance risks and the adequacy of the Group's controls
- Monitoring and acting on upcoming legislative changes
- Multi-functional programme for General Data Protection Regulation (GDPR) compliance

**Examples of how we know the controls are working effectively**

- Multiple measures to assess culture including: My Say results, Speak Out reports, Ethics Pulse surveys, internal audit findings, exit interviews and ethics questions in performance reviews
- Monitoring and reporting on compliance with ethics policies, training statistics, investigations and Ethics Pulse metrics (Executive Committee and Audit & Risk Committee oversight)
- Legal teams embedded in the businesses and working cross-functionally throughout the contract lifecycle. Contract risk tool rolled out in three businesses and used to assess mitigation of risk through contract negotiations



**Behaving ethically and legally**

[→ Page 43](#)

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

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.

### How this could impact our strategy or business model

- If we do not position ourselves to serve our customers and growing markets in decarbonisation and energy efficiency we will not reach our full commercial potential
- If we do not make progress towards and then achieve our own Net Zero commitments our Company reputation and customer relationships may be damaged
- We may not be able to attract and retain key talent if we are not viewed as a socially responsible and sustainable organisation
- If we do not communicate sufficiently our approach to managing climate opportunities and risk, we may limit the number of interested debt and equity investors

- Extreme weather caused by climate change may have an impact on our markets and our operations if not identified and addressed

### Examples of how we manage this risk

- The Group has reviewed and is pursuing strategic market opportunities arising from the energy transition/decarbonisation
- Products with a sustainability impact have been prioritised for commercialisation in our new product pipelines
- A comprehensive Net Zero/climate transition plan for Scope 1, 2 and 3 GHG emissions was submitted to the Science-Based Targets initiative (SBTi)
- GHG reduction and energy efficiency targets are built into our performance scorecard and our annual and long-term incentive plans
- We publish sustainability information and communicate regularly internally and externally on environmental matters

### Examples of how we know the controls are working effectively

- All businesses are engaged in new product development that contributes to sustainability
- The ISE Committee has met four times a year to review sustainable products and progress on our sustainability goals
- We engage KPMG for limited assurance on GHG emissions, inventories and energy efficiency and Ramboll for water and waste measurement
- We monitor and benchmark our ESG ratings published by Sustainalytics, ISS, CDP and MSCI
- The environmental commitment topic scored highly in our My Say employee survey

### Developments in FY2025

- In response to changes to regulation regarding climate change (including CSRD and IFRS Climate-related disclosures), a cross-functional working group is in place to provide oversight and leadership in response to reporting requirements
- We engaged PWC to complete a double materiality assessment (which will be refreshed as part of separation activities)
- We have conducted a review of the property portfolio for water and biodiversity risks



### Sustainability solutions

Read more about how our products are helping customers deliver next-generation efficient and sustainable infrastructure

[→ Page 39](#)



### Net Zero targets

See our Net Zero targets and progress

[→ Page 40](#)



### TCFD

Read more

[→ Page 46](#)

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## 10. Strategic transformation – Failure to deliver operational, financial, or reputational value when executing strategic transformations

Execution of strategic transformations, including the proposed separations of Smiths Interconnect and Smiths Detection, carry significant operational, legal, financial, people-related and reputational risks. Ineffective execution of these transactions could result in operational disruption, stranded costs, loss of key personnel, delays in achieving separation, regulatory hurdles and diminished shareholder confidence. The ability to reposition the remaining Group as a focused, high-performing industrial engineering company will be key to preserving and enhancing long-term value.

### How this could impact our strategy or business model

- Missteps in separating shared IT platforms, finance functions, and supply chains could delay core operations and customer deliveries, reducing our future agility and undermining growth initiatives
- Failure to fully carve out duplicated overhead expenses may result in legacy expenses, compressing margins and constraining reinvestment capacity
- Uncertainty around roles in Smiths Interconnect and Smiths Detection during separation may accelerate voluntary departures of critical talent, jeopardising programme continuity and know-how transfer

- Macro-economic headwinds (e.g., tightening financing conditions) and evolving regulatory approvals in sensitive markets (defence, transportation) could delay transaction close, deferring proceeds and extending integration costs
- If communications are misaligned, investors, customers, suppliers, and employees may develop uncertainty around the separations, potentially undermining confidence in our standalone industrial engineering position and contributing to share price underperformance. It is therefore essential that the strategic vision for Smiths is clearly and effectively communicated
- Our sector exposure will become more concentrated, particularly in oil & gas, and the US construction market, resulting in increased volatility due to reduced diversification

### Examples of how we manage this risk

- A structured communications plan, including investor roadshows, employee town halls, and customer briefings articulates the strategic rationale and timeline for the separation of Smiths Detection and Smiths Interconnect, ensuring transparency and reducing uncertainty
- By maintaining rigorous programme governance, including Board-level oversight by the Separation Oversight Committee, targeted retention measures, proactive stakeholder engagement, and clear repositioning plans, we are effectively managing

the risks associated with executing these strategic transformations and positioning our company for long-term success

### Examples of how we know the controls are working effectively

- Tracking of critical milestones (e.g., IT cutover readiness, financial reporting carve-out, legal entity registrations)
- Retention-rate tracking for identified 'key roles' to effectively mitigating attrition risk
- Post-roadshow surveys of major institutional investors
- Tracking of regulatory filing progress to ensure no material 'hold' conditions are imposed
- Early separation cost forecasts validated by actual spend

### Developments in FY2025

- Established a Board Separation Oversight Committee to oversee the transactions and separation of our operations, IT platforms and shared functions
- Engaged strategic advisers to support the sales and help us navigate current market volatility, tightening financing conditions, and shifting investor sentiment which could negatively affect transaction timing, deal multiples, or buyer appetite, especially in sensitive sectors such as security and defence



### Strategy

Read more about our strategy in the CEO Review

[→ Page 9](#)

# SUSTAINABILITY

We take a pragmatic approach to sustainability matters, aiming to minimise our net impact, create positive impacts where we can, and adopt the good practices expected of a global organisation. Sustainability action is a natural activity for an organisational culture focused on excellence and continuous improvement and is essential for long-term value creation.

Throughout this section you will find extra information, performance data and pointers to additional content and data in the right-hand column.



Sustainability framework topic



European Sustainability Reporting Standard (ESRS)



Engagement survey score



Target



United Nations Sustainable Development Goals (SDGs)

We have significantly improved the quality and breadth of our sustainability disclosures in recent years, taking into account current and emerging 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.

To prepare the organisation for potential future reporting requirements under CSRD, we refreshed our existing double materiality assessment (DMA) and gap analysis at the end of 2024. This was conducted in line with the European Sustainability Reporting Standards (ESRS), and assessed the materiality of the ten key ESRS standards for Smiths and its value chain.

The topics described in this section are the most material for the Group. Our sustainability framework topics and the relevant ESRS standards are mapped in the table below and highlighted in the margin of each page. All sustainability data and targets presented in this, and later sections, are for the Group unless otherwise indicated.

As the transformation of our portfolio and business mix progresses, we will revisit our DMA work to re-determine the scope of sustainability reporting relevant to the business. We will also review and restate our targets, including our SBTi trajectory for the new shape of the Group.

## FY2025 highlights

- Strong safety performance
- Introduction of Watershed sustainability platform, for enhanced data and decision making
- Maintained five year trend in Scope 1 & 2 emissions reductions; down 11.4% vs restated FY2024 and renewable electricity at 74%. Tracking below SBTi trajectory
- Continued progress against FY2025-FY2027 environmental targets. Energy reduction target continues to be linked to employee bonus scheme for FY2026
- Progressed the introduction of suppliers to the EcoVadis assessment platform



Our business activities, the way we operate, and our sustainability priorities enable us to contribute in a meaningful and practical way to seven of the United Nations Sustainable Development Goals. Read more about our contribution on [www.smiths.com](http://www.smiths.com)

Material sustainability framework topics FY2023 DMA (bold)	Material ESRS standards FY2025 DMA (bold)	Read more
<b>Commercialising high-value green technologies</b>	<b>Climate change</b> <b>Pollution</b>	Sustainability solutions page 39
<b>Delivering net zero GHG</b>	<b>Climate change</b>	Climate change and net zero page 40
Respecting natural resources	<b>Pollution</b> <b>Biodiversity</b> <b>Resource use and circularity</b>	Natural resources and biodiversity page 42
<b>Improving safety, health and well-being</b>	<b>Own workforce</b>	Safety page 38
Managing risk and maintaining strong controls	<b>Business conduct</b> <b>Workers in the value chain</b>	Behaving ethically and legally page 43
<b>Behaving ethically and legally</b>	<b>Business conduct</b> <b>Workers in the value chain</b>	Behaving ethically and legally page 43
<b>Supply chain</b>	<b>Workers in the value chain</b>	Supply chain page 45



See our sustainability targets and performance  
→ [Page 55](#)



See our TCFD disclosure  
→ [Page 46](#)



See all our sustainability data disclosures  
→ [Page 200](#)



See our GRI and SASB disclosures on [www.smiths.com](http://www.smiths.com)



FTSE4Good



## Third party ratings

MSCI: AA

CDP Climate: B

ISS QualityScore:

- Environment 2
- Social 2
- Governance 2

Sustainalytics: 29.3

S&P Global ESG Score: 53

LGIM ESG Score: 69



## SUSTAINABILITY CONTINUED

## SAFETY

Safety is our number one priority. We are committed to excellence in health and safety and providing effective leadership to create injury-free and supportive workplaces for our colleagues and anyone working with us. We target risk reduction and continuous improvement in our performance through systematic analysis of data, proactively designing and investing for safety and health, and building strong and aware safety cultures at our sites.

## Managing safety

We have health and safety policies and standards that all Smiths operations are required to follow. Each business sets annual safety improvement plans aligned to our Group priorities, and our overall target to keep our recordable incident rate (RIR) below 0.4 (i.e. above industry average). All operational sites with more than 100 colleagues are required to be certified (or working towards certification) under ISO 45001 safety standards. Safety and compliance with our standards are managed locally by Health, Safety & Environment (HSE) specialists, with responsibility for safety culture and performance held by our site and business leaders.

## Safety performance

Our Group safety scorecard shows 12 month recordable incidents for the FY2025 period of 41 against 63 in the prior year and our RIR fell to 0.28 (12 month scorecard 0.40). Our total number of incidents was down 44% and we recorded zero work-related colleague or contractor fatalities.

## Site security and travel safety

The challenging and increasingly unpredictable geopolitical landscape requires constant focus and proactivity to protect the security of our sites and anyone travelling.

We have robust security procedures in place to protect the physical safety of our teams and assets as well as our data and intellectual property. Security plans are in place at all locations and risk assessments are undertaken regularly, as are reviews of business continuity and crisis management plans. Two serious security incidents were recorded in FY2025 relating to physical altercations between employees. Disciplinary and communication actions were taken to re-inforce the message that such behaviour is unacceptable at Smiths.

The on-the-road safety of our teams is equally important. We know where our colleagues are and we closely monitor trips to high and extreme risk locations, with all such travel needing to be pre-approved at a senior level. We also work with external partners to provide advisory and emergency (including medical and physical) support to Smiths colleagues at home and in the field. This includes evacuation if prudent.

## Health, mental health and well-being

Supporting colleague well-being and mental and physical health helps to keep us performing at our best. We actively promote a sense of belonging through our shared purpose and Values and by providing safe environments and meaningful connections so that every colleague feels seen, heard and valued.

All Smiths colleagues and members of their immediate families have access to an Employee Assistance Programme (EAP) which offers practical support on health, well-being and financial matters. Our THRIVE resources and sessions aim to create an environment where people feel confident talking about matters such as mental health and wellness, recognising it in others, and reaching out for support if needed. We have mental health first aiders at some of our sites and include mental health and well-being courses in our training suite.

We recognise that colleagues involved in the transition of our business may need additional support for their mental health.

[→ Read more about our culture on page 24](#)

## Continuous improvement

We perform strongly but recognise that every incident has a personal impact and is one too many. We are therefore on a journey to continuously improve, as we are in all aspects of our work under Smiths Excellence.

Our primary focus is on sustainable preventative action. This starts with data analysis focusing on the identification of patterns, common themes, trends and anomalies that reveal potential hazards and interrogate the effectiveness of what we are doing. For example, reviewing a higher-than-expected number of vehicle related events despite the allocation of online driving safety training to all business drivers. Or using a deep dive into data relating to equipment safety and leadership safety walks to reveal opportunities to improve ergonomics and PPE.

## FY2026 priorities

- Build on current momentum, through evaluation of data insights, analysis of the effectiveness of our training programmes and culture, and increased adoption of our Excellence tools and methodologies to identify and effect incremental changes
- ‘Geofence’ our key global locations to enable real-time security analysis from our external security partner and promote greater uptake and use of the International SOS travel safety app to ensure our business travellers are fully informed and always supported, wherever they are



Improving safety, health and well-being



ESRS:

Own workforce

82

engagement score

‘My workplace is safe for my colleagues and myself’



Target:

RIR < 0.4



UN SDGs:



See our performance against targets  
→ Page 58

## SUSTAINABILITY CONTINUED

# SUSTAINABILITY SOLUTIONS

Ambitious commitments to mitigating the impact of climate change and environmental loss are driving profound transitions and demand for innovative solutions across the markets we serve. Sustainability and efficiency go hand-in-hand, reducing waste, cutting emissions and pollution, and protecting natural resources.

Our unique engineering capabilities, products and services enable us to support customers as they seek to deliver next-generation efficient and sustainable infrastructure and processes while achieving their environmental targets.

## 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. The same technology is deployed in hydrogen and carbon capture projects where performance demands are even higher. In both new energy and oil & gas, 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 multiple projects in carbon capture and storage, hydrogen and biofuels. As an example, John Crane played a critical role in supporting Europe's renewable energy infrastructure by supplying sealing systems for more than 300 pumps across three biorefinery projects. These projects support the production of lower-carbon fuels and reinforce environmental compliance across essential transport and energy sectors.


John Crane also secured a supply agreement during the year for high-performance couplings, gas filters and nitrogen filters as part of a large-scale energy development. These solutions contribute to safer, cleaner, more efficient operations across critical energy infrastructure.


## 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 projects, especially following the acquisition of Wattco, which brings manufactured process skid systems. Its products such as certified pressure vessels, integral electric heating platforms, thermodynamic isolation module systems, and steam heating support ever-expanding clean energy and data demand opportunities. A notable recent win was a multi-year contract for the provision of electric heaters for an ultra-low carbon emissions electro-fuel project in North America.

During the year, Flex-Tek launched its 'Blue Series' redesigned sealed metal duct system. This innovative approach to sealing combines a light and low-density polyurethane foam joint fitting with a patented ribbed collar which eliminates leakage, providing a more energy efficient solution and reducing install time, saving contractors cost on materials and labour.

 [Read more about our products and services on www.smiths.com](https://www.smiths.com)

 [Read about our latest climate scenario analysis and risks and opportunities for Smiths on page 46](#)



**Commercialising high value green technologies**



**ESRS:**

Climate change; Pollution

**76**

engagement score

**'The company is committed to having a positive impact on the environment'**



**UN SDGs:**



 [Read more about markets and megatrends on page 12](#)

## SUSTAINABILITY CONTINUED

# CLIMATE CHANGE AND NET ZERO

We are committed to Net Zero targets and playing our own part to mitigate climate change by changing the way we operate and power our businesses. Our transition plan and targets (operations and value chain) were validated by the Science Based Targets initiative (SBTi) in FY2024. These are Net Zero Scope 1 & 2 emissions by 2040 and Net Zero Scope 3 emissions by 2050.

## Path to Net Zero

We have consistently delivered reductions in operational emissions in recent years through our focus on energy efficiency, transitioning to green electricity tariffs, and investing in self-supply (solar) and electric vehicles. Each of our businesses has a bespoke emissions reduction plan and we have developed site energy inventories and dashboards to enable targeted action delivered by our enthusiastic teams. Smiths Excellence tools are used to support many of these projects.

Since FY2023 we have had a demanding energy efficiency/energy reduction metric linked to our Annual Incentive Plan for approximately 6,000 colleagues. This will continue in FY2026, with a target of 2% reduction in MWh, positively impacting both costs and emissions. We have had emission reduction targets linked to our Long-term Incentive Plan (LTIP) since FY2022.

## Smiths remuneration targets FY2023–FY2025

	FY2023	FY2024	FY2025
<b>AIP target</b>	3% improvement in energy efficiency	4.5% improvement in energy efficiency	2% <sup>1</sup> reduction in energy use (MWh)
<b>LTIP target</b>	Scope 1 & 2 15-20% absolute reduction by FY2025	Scope 1 & 2 15-20% absolute reduction by FY2026	Scope 1 & 2 15-20% absolute reduction by FY2027 <sup>1</sup>

<sup>1</sup> See table on page 56

→ Read more about remuneration in the Remuneration & People Committee report on page 85

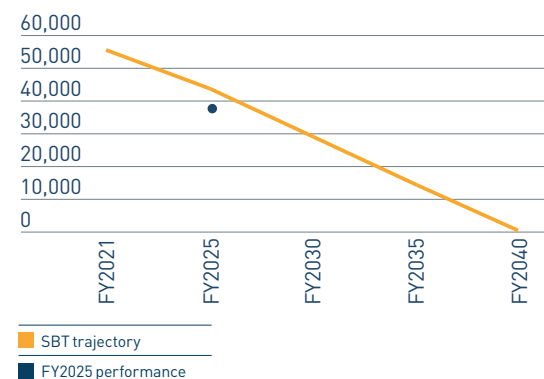
Absolute energy reduction in FY2025 was 2% (3.51% for AIP adjusted calculation). Targets were exceeded in all businesses other than Smiths Interconnect through the successful delivery of projects like Flex-Tek adding auxiliary power units to the Royal Metals truck fleet to reduce engine idling.

## Renewable electricity

74% of the electricity used in our operations now comes from renewable sources through a combination of green tariffs and self-supply via solar. Six solar installations have been connected at suitable locations, totalling 3.57MW (more than 5,600 panels), with an average payback on investment of 3-4 years. We have invested more than £1 million in solar since FY2023 and have more projects planned from FY2026.

## FY2025 performance vs trajectory required to hit SBTs Scope 1 & 2

Scope 1 & 2 emissions fell 11.4% in the year, tracking significantly ahead of the annual rate required for our SBTi targets. Material contributions came from the purchase of renewable energy certificates at John Crane, solar installation at Smiths Detection Hemel Hempstead, UK and the switch from gas to hydrogen furnaces for production ovens at Flex-Tek.



The closer integration of sustainability with Smiths Excellence has enabled a more programmatic way of working on sustainability improvement projects across the organisation. This, along with number of project targets, has accelerated our progress in energy reduction, emissions reduction, water and waste reduction, and biodiversity.



## Delivering Net Zero GHG



## ESRS:

Climate change



## Target:

- Net Zero Scope 1 & 2 emissions by 2040
- Net Zero Scope 3 emissions by 2050
- 2% reduction in energy use FY2025 vs FY2024
- 80% renewable electricity by FY2027
- 17.5% reduction in Scope 1 & 2 emissions FY2027 vs FY2024
- 25% of supplier spend committed to SBTi targets by FY2027



See our performance against targets  
→ Page 56



## UN SDGs:



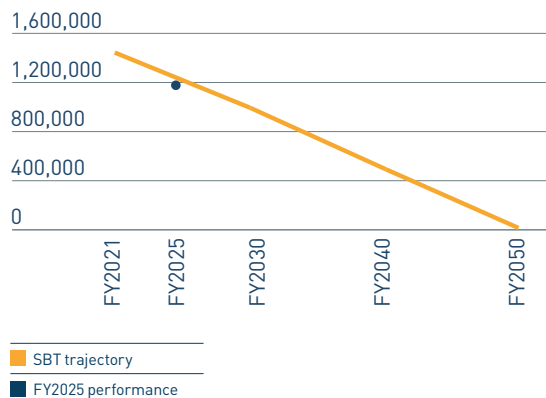
## SUSTAINABILITY CONTINUED

**Scope 3 emissions**

For Scope 3, our data and reporting are less mature, but we have established a critical path based on supplier engagement and reporting, supplier science-based targets, and external transition including grid decarbonisation. Supplier reporting is supported by the EcoVadis supplier platform which is enabling us to engage more deeply with our supply chain, including our logistics providers, on a range of sustainability topics and to target reductions in our Category 1, 4 and 9 emissions (purchased goods and services and transportation and distribution). Our Category 11 emissions (use of sold products) are being targeted through continuous improvement in the energy efficiency of our products and preventative maintenance of customer systems (for example at Smiths Detection).

**FY2025 performance vs trajectory required to hit SBTs Scope 3**

Scope 3 emissions increased year on year due to the FY2024 restatement and an increase in Category 11 emissions from increased product sales at Smiths Detection. Reduction project examples include John Crane Morton Grove moving to 3D printing of press applicators to reduce scrap and waste and Smiths Detection continuing to expand its use of repaired and refurbished parts for service.



→ Read more about the EcoVadis platform on page 45

→ Read more about Lifecycle Assessment (LCA) on page 42

**Data quality**

During the year we migrated to the Watershed sustainability platform to increase the accuracy and robustness of our energy, GHG, water and waste reporting and audit practices, and enable more confident and effective modelling and targeted action. Both the FY2024 and FY2025 data presented in this report uses Watershed global standard methodology.

To support implementation, we undertook a reconciliation process to assess and investigate differences between our legacy methods and Watershed. Variations were primarily driven by methodology and emission factor differences between the two approaches. These changes in methodology have resulted in a restatement of FY2024 GHG data which is described on page 55. Details of the changes in methodology can be found in the Inventory Management Plan reporting criteria on our website [www.smiths.com](http://www.smiths.com).

→ See our Streamlined Energy and Carbon Reporting (SECR) disclosure on page 57

→ See all our energy and GHG data disclosures from page 200

**FY2026 priorities**

- Undertake property portfolio review to embed sustainability culture at the source of decision-making
- Review the potential for virtual power purchase agreements (VPPAs) in Europe and America to support operational Net Zero (working with Accenture)
- Undertake granular review of our Scope 3 data and how it is collected to improve accuracy
- In anticipation of the planned separations, preparation of re-submission to SBTi for Smiths (John Crane and Flex-Tek) including re-baselining and revising targets and defining an impactful strategy for the future
- Further our commitment to sustainable product design with an EcoDesign project and the formal introduction of a product lifecycle analysis (LCA) initiative integrated with our manufacturing excellence workstream

→ Read about our latest climate scenario analysis and risks and opportunities for Smiths  
 → Page 46

## SUSTAINABILITY CONTINUED

# NATURAL RESOURCES AND BIODIVERSITY

Natural resources are finite. We have a responsibility to use them respectfully and safely – this includes sourcing responsibly and minimising consumption, as well as preventing environmental pollution and biodiversity impact. We have a longstanding commitment to non-GHG resource targets and environmental standards and stewardship.

## Environmental management

Our comprehensive portfolio of environmental and safety standards ensures that we manage our sites responsibly and mitigate any environmental pollution and safety risks arising from our activities and use of controlled substances. Performance is overseen by our internal audit process, and we maintain an external environmental compliance audit programme. All operational sites with more than 100 colleagues are required to be certified (or working towards certification) under ISO 14001 standards. Our businesses participate in a regular forum to share best practice and ensure compliance with global restricted and controlled substance regulations including WEEE, RoHS, Prop65, REACH, TSCA and Responsible Minerals.

We had no spills and only one environmental compliance penalty in FY2025.

## Water, waste and packaging

We continue to focus on reducing unrecycled waste, water use and unnecessary packaging from our operations. We set new three-year targets at the beginning of the year for both waste reduction and water use in water-stressed areas (10 locations), where climate resilience is more critical. We operate a project tracker to record individual site efforts and maintain momentum, with many projects delivered using Smiths Excellence tools.

Recent projects include:

- John Crane India's new process to recycle carbide tool scrap
- Flex-Tek Titeflex's design and installation of a new process and system to capture and reuse waste water from operations and filter final waste water before expulsion

Water use normalised to revenue in water-stressed locations was down 6%. Waste disposal normalised to revenue was down 6%. We recorded 14 water projects and 21 waste/circularity projects during the year.

## Pollution 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. We have conducted a high-level biodiversity-related risk assessment across our main sites using the WWF Biodiversity Risk Filter and we are preparing a framework and approach to biodiversity matters and data guided by the TNFD's LEAP (Locate, Evaluate, Assess, Prepare) approach.

We have embedded biodiversity and water stress considerations into our due diligence processes when selecting potential new sites. We will also gather nature-related data from our suppliers using the EcoVadis platform. This work is complemented by our ongoing focus on product design and lifecycle management.

We recorded 11 biodiversity improvement projects during the year including our Interconnect Suzhou colleagues undertaking eco-awareness activities and tree planting in a local botanical garden.

To signal our deepening awareness and commitment to nature we have become corporate partners of the World Land Trust (WLT) an international organisation involved in conservation and land restoration in environmentally significant and threatened habitats. In FY2025 we participated in the WLT's 'buy an acre' programme to protect land equivalent to 1.2x the Group's operational footprint, contributing to a wildlife corridor in a biodiversity-sensitive area.

## Circularity and efficient design

Smiths products and services score strongly on the key pillars driving new EU regulations on sustainable product design – particularly durability, reusability and reparability. Our significant aftermarket services revenue at John Crane and Smiths Detection derives from keeping our products operating efficiently in service for longer thus limiting unnecessary waste. Smiths Detection also operates a recycling, refurbishment and reuse programme of both units and their components, delivering benefits to natural resource efficiency, supply chain security and costs.

### FY2026 priorities

- Undertake property portfolio review to embed sustainability culture at the source of decision-making
- Embed biodiversity risk assessment and new property assessment for water-stress and biodiversity risk
- In anticipation of the planned separations, preparation of revised baselines and targets for Smiths (John Crane and Flex-Tek)
- Refresh our water stressed sites list
- Further our commitment to sustainable product design with an EcoDesign project and the formal introduction of a product lifecycle analysis (LCA) initiative integrated with our manufacturing excellence workstream



### Respecting natural resources



### ESRS:

Climate change; Pollution; Biodiversity and ecosystems; Resource use and circular economy



### 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
- 30 waste/circularity projects FY2025 to FY2027
- 30 biodiversity projects FY2025 to FY2027
- 30 water saving projects FY2025 to FY2027



See our performance against targets  
[→ Page 57](#)



### UN SDGs:





## SUSTAINABILITY CONTINUED

## BEHAVING ETHICALLY AND LEGALLY

Behaving ethically is a key pillar of our culture, driven by our Values. We also operate in certain regulated markets and sectors, which require strict adherence to local and international industry regulations. We have expert teams in place to manage these matters and we use data and other intelligence to identify performance gaps and emerging risk, and endeavour to continuously improve our procedures.

Our policies and internal controls are dynamic to respond to and accommodate changes in the external environment, our business priorities and strategy, and the intelligence and data we gather. All our Group policies are reviewed and updated periodically, and more frequently in areas of greater risk.

### Governance and implementation

The Smiths Code of Business Ethics (Code) is the foundational document that outlines standards of behaviour at Smiths and what we expect of our partners. It is supplemented by a suite of policies, procedures and training relating to specific ethics, compliance and people matters. We have a central Ethics & Compliance team which oversees our ethics and compliance programmes and ensures that efforts are focused on higher risk and critical areas. Day-to-day responsibility for ethics and compliance is held by our business teams. Our Business Ethics Council, comprised of senior leaders from across Smiths, acts as an advisory and discussion panel for emerging matters of interest and policies. During the year, the Ethics & Compliance team supported the investigation into the balance sheet overstatement at a stand-alone US site in the industrial business of Flex-Tek and the related accounting treatment. See page 81 for more information.

→ Read more about our legal and compliance controls on page 34

📄 See the Smiths Code of Business Ethics on [www.smiths.com](http://www.smiths.com)

### Speaking out

Ensuring that we engage colleagues with the Code is imperative, as is colleague awareness and trust in our procedures. Our colleagues and business partners are expected to be vigilant and report any activity or behaviour that they consider may be in breach of our Code and Policies or inconsistent with our Values. This can be done through their line manager, HR, or the Legal team, or by using our confidential Speak Out reporting hotline. Speak Out data and outcomes are reported to the Audit & Risk Committee.

There were 328 Speak Out reports in FY2025. 20% of reports relating to ethics and compliance matters were substantiated and recommendations passed back to the business area to address. In FY2025, Speak Out data shows a continued rise in anonymous reporting and a decline in substantiated allegations – indicating fewer reports that confirm a policy violation. Notably, there was a significant increase in cluster reporting, where multiple individuals submitted separate reports about the same concern. This trend contributed to both the higher anonymity and lower substantiation rates. When cluster reports are excluded, rates remain consistent with prior years.

### Training and awareness

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 markets and geographies.



**Behaving ethically and legally**



**Managing risk and maintaining strong and effective controls**



**ESRS:**  
Business conduct

**71**

engagement score

'People I work with live the company values'



**UN SDGs:**



## SUSTAINABILITY CONTINUED

## Human rights and modern slavery

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can access decent work and enjoy their universal human rights.

Our Human Rights Policy is guided by international human rights principles, including those encompassed in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. We adhere to national laws and regulations in our markets and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy which covers the following areas:

- 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

Our Modern Slavery Statement, which is approved by the Board, sets out the steps we have taken to address modern slavery trafficking in our business and supply chains. All colleagues are provided with training on modern slavery risks.

We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2025.

→ [Read more about our supply chain on page 45](#)

 [See our Modern Slavery Statement on   
www.smiths.com](#)

## Anti-bribery and anti-corruption

Bribery and corruption matters are covered by the Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella Anti-Bribery and Corruption Policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers and freight forwarders. In FY2025 we undertook an anti-bribery risk assessment for our China region and prepared for a maquiladora summit for colleagues in Mexico focused on trade compliance, anti-bribery and corruption and human rights. The summit took place in early FY2026.

## Data protection and privacy

Smiths does not collect consumer information or market to consumers, which reduces these risks; however, we do process data relating to our colleagues and collect information on business contacts. We have a common set of principles, policies and processes to ensure that our teams are aware of their responsibilities relating to personal data, with data privacy matters overseen by the Ethics & Compliance team. Our network of Privacy Champions discusses evolving privacy regulation as well as emerging issues and, along with the Ethics & Compliance team, are responsible for ensuring compliance with regulations in the jurisdictions in which we operate. Internal Audit conducts assessments of our data privacy controls.

### FY2026 priorities

- Tailor our ethics and compliance programme to support the evolving priorities of Smiths
- Deliver ethics and compliance workshops in South Korea, Japan and China to strengthen regional engagement
- Continue our successful Advanced Investigations course to enhance HR's ability to identify and address modern slavery

→ Read more about our controls relating to product quality and safety  
→ [Page 32](#)

## SUSTAINABILITY CONTINUED

## SUPPLY CHAIN

We purchase materials, components and some finished goods from many suppliers across the world. Our businesses, in turn, form part of the supply chains of our customers. Transparency and the ability to effect change in these networks helps us manage risk and make progress on our strategic and sustainability priorities. We want to work with suppliers who are explicitly aligned with our Values and that support our human rights commitments.

## Responsible procurement

Our commitment to behaving positively in society requires a similar commitment from our suppliers. Our Supplier Code of Conduct makes our expectations of suppliers and sub-suppliers clear when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources. Suppliers are required to adhere to our Supplier Code of Conduct. New suppliers are subject to due diligence checks, and we have a supplier onboarding process to assess risk and ensure that suppliers can meet our standards. We undertake risk reviews and regular audits of suppliers to provide an ongoing check.

See our ESG Supply Chain Due Diligence Policy on [www.smiths.com](http://www.smiths.com)

In FY2024, we introduced the EcoVadis supplier platform to standardise our management of suppliers, assess and mitigate risk areas, and support emerging disclosure requirements. The platform enables us to assess suppliers against four standard sustainability pillars (environment; labour and human resources; ethics and compliance; and sustainable procurement) taking into account industry and country risk. Once suppliers are on the platform, we can collect, report and validate data across a range of metrics and create, agree and monitor corrective action plans for alignment

with our needs, including SBTi targets and ethical practice.

By the end of FY2025 28% of suppliers by spend had been evaluated on the platform and we completed the introduction process of more than 50% of the second group of selected vendors (selected based on risk profile). Implementation of corrective action plans has begun for both waves. 9% of our suppliers by spend have SBTi aligned targets. A first-year maturity review indicated that we are progressing as planned and recommended priorities to adopt into our roadmap. Ultimately, we intend to merge all supplier onboarding processes into one ecosystem on EcoVadis.

## Human rights and modern slavery

We expect suppliers to share our commitment to human rights and to be free from practices associated with human rights violations, including forced/involuntary labour, human trafficking and modern slavery. We take very seriously any allegations that human rights are not properly respected in our supply chains and recognise that, as a global business, we need to be constantly vigilant.

Our standard supplier contract templates oblige our suppliers to make various commitments on human rights and fair labour standards in relation to their own workforces, and to seek the same commitment from their suppliers. They are also asked to notify us if they become aware of any breach. Our onboarding process seeks information about employees' work and (if relevant) housing conditions, employment terms and labour practices. If migrant workers are contracted, we ask about their employment terms and any restrictions placed on their movement and financial arrangements. In the case of recruitment agencies, we conduct due diligence on appointment to ensure that we understand the processes they have in place to manage modern slavery risks, and that they sign up to our commitments

We have a sustainability working group of procurement leaders to continue to enhance awareness and drive positive, preventative actions in our supply chain, including as relates to human rights and modern slavery.

See our Modern Slavery Statement on [www.smiths.com](http://www.smiths.com)

## 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.

## FY2026 priorities

- Continue with introduction of EcoVadis group 3 (all suppliers with annual spend >£250k)
- Plan supplier audits in Latin America
- Conduct a strategic assessment to define the most effective, risk-based, and proportionate approach for evaluating ESG compliance among Tier 2 suppliers

Read about our Scope 3 emissions on page 41



## Supply Chain



## ESRS:

Business conduct; Climate change; Resource use and circular economy; Workers in the value chain



## Targets:

- 40% of supplier spend evaluated on EcoVadis by FY2027
- 25% of supplier spend committed to SBTi targets by FY2027



## UN SDGs:



See our performance against targets  
→ Page 56

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## Compliance statement

### FCA Listing Rules

In this Annual Report, we set out 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 the FCA Listing Rules.

	Pages
<b>GOVERNANCE</b>	
a) Describe the Board's oversight of climate-related risks and opportunities	<b>46, 83, 100</b>
b) Describe management's role in assessing and managing climate-related risks and opportunities	<b>46</b>
<b>STRATEGY</b>	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	<b>49</b>
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	<b>48</b>
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	<b>47</b>
<b>RISK MANAGEMENT</b>	
a) Describe the organisation's processes for identifying and assessing climate-related risks	<b>48, 26</b>
b) Describe the organisation's processes for managing climate-related risks	<b>48, 35</b>
c) Describe how processes for identifying and managing climate-related risks are integrated into the organisation's overall risk management	<b>48, 26</b>
<b>METRICS AND TARGETS</b>	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	<b>52, 40, 56</b>
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 emissions and the related risks	<b>40, 57</b>
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	<b>40, 57</b>

## Governance

### Board

The Board has overall responsibility for our approach to sustainability matters, including climate change. Oversight during the year has been delegated to Board sub-Committees. Specifically, the Audit & Risk Committee has overseen climate risk management while the Innovation, Sustainability & Excellence (ISE) Committee has overseen delivery of our commitments in relation to climate change. The ISE Committee will be retired in FY2026 and its climate change responsibilities will be elevated to the Board.

The Board has oversight of our Group-level and business strategies, receiving performance updates from our four businesses twice a year. This includes an annual strategy presentation and operational updates.

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. When determining Board Committee composition, the relevant skills and experience of the individual Non-executive Directors are considered to ensure each Committee has the required competencies. Further detail can be found in the Board biographies on pages 65 and 66. Our Board governance framework is described on page 64.

See page 78 for the Audit & Risk Committee report and page 99 for the ISE Committee report.

### Executive Committee

Our Business Presidents sit on the Executive Committee and are responsible for our businesses' approach to sustainability, including climate change. The Executive Committee members report to the CEO, who reports directly to the Board six times a year. Discussions at the Executive Committee relate to



### Board governance framework

Read more

[→ Page 64](#)



### Audit & Risk Committee report

[→ Page 78](#)



### Innovation, Sustainability & Excellence Committee report

Read more

[→ Page 99](#)

**TCFD CONTINUED**

commercial climate activities such as new market opportunities, innovation and product development, and operational climate-related activity, such as energy and GHG reductions and business continuity planning. The Chief People, Sustainability & Excellence Officer oversees the Group's overall direction, targets and reporting on operational sustainability matters.

The Board considers climate-related issues when reviewing strategy and performance objectives. The ISE Committee reviews our net zero operational transition plans and regularly reviews climate metrics and targets such as energy efficiency, GHG, water and waste. These metrics are also discussed in management reviews.

Climate-related risks are managed and reported in line with our wider risk management processes, with the outcomes of business assessments integrated into executive-level strategic planning and priorities.

A number of key climate-related issues were discussed by the Executive Committee and/or Board Committees in FY2025 including:

- Megatrends driven by climate change covering energy use, energy sources and energy delivery and related opportunities for Smiths. See page 12
- Progress against the Group's SBTs and transition planning for Net Zero Scope 1, 2 and 3 emissions, including investment in solar
- Alignment of remuneration with environmental targets. See page 87 of the Remuneration & People Committee Report

**Executive remuneration**

We have incorporated climate-related metrics into our incentive plans since FY2022. In FY2023, we introduced climate-related metrics into our Annual Incentive Plan (AIP) and our Long-Term Incentive Plan (LTIP) to more closely align decision-making and ownership of climate goals. These continued through to FY2025. In FY2026 we will retain a climate-related metric (reduction in energy use) in our AIP.

**Strategy****Climate-related risks and opportunities**

The time horizons considered for identified climate-related risks and opportunities are found in the table below. Our strategic planning horizon has three distinct time periods: short term (5 years), medium term (5-10 years), and long term (beyond 10 years). The level of uncertainty and number of unknown variables increases as the timeframe extends.

We have assessed a range of physical and transition risks and opportunities that could impact our business over short-, medium- and long-term time horizons:

Short term: 2025–2030

Medium term: 2030–2035

Long term: 2035 and beyond

This assessment determines that climate-related risks and opportunities are likely to impact the business in the medium and long term only, and that the business and its strategy 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 they are identified as a Group principal risk in aggregation. See page 49 for details of the recent scenario analysis conducted and page 29 for principal risks to the Group.

**Climate scenarios**

We use climate scenarios to inform management and relevant stakeholders within our businesses about climate risks and the opportunity environment in order to assess impact.

**Physical scenarios**

In FY2025, we updated our physical climate scenario analysis using the latest Intergovernmental Panel on Climate Change (IPCC) scenarios to model the impacts of physical risks where our sites and supply chains are located. This TCFD disclosure increases our climate scenarios from two to three and includes a low carbon aligned climate pathway. Climate risk data from the Group's insurers has also been integrated into this

year's assessment. This data quantifies financial exposure to climate risk by risk type, modelled in line with these three scenarios.

For further detail on how our climate-related risks are managed and reported in line with our wider risk management process, refer to page 26.

**Net zero scenario (SSP1 – RCP 2.6)**

In this scenario, all current net zero pledges are achieved in full and there are extensive efforts to realise near-term emissions reductions. Advanced economies reach net zero emissions by 2050, China around 2060, and all other countries by 2070 at the latest. This scenario is consistent with limiting the rise in global temperature to below 2°C. With some level of net negative emissions after 2070, global temperature rise could be reduced to 1.5°C by 2100.

**Current trajectory scenario (SSP 2 – RCP 4.5)**

This scenario sets out to show to what extent announced ambitions and targets are on the path to deliver emissions reductions required to achieve net zero emissions by 2050. The rise in global temperature will exceed 2°C by 2100, with a more noticeable shift to happen in the latter half of the century.

**Breach of planetary boundaries scenario (SSP 5 – RCP 8.5)**

This scenario is not aligned to any of the pledges laid out in the Paris Agreement and is one where countries are unable to meet the UNSDGs. This scenario will have the most severe physical consequences for the planet. The temperature rise will exceed 4°C by 2100, leading to high loss of biodiversity and species extinction.

**Transition scenarios**

We also updated our transition scenarios to latest practice, with three scenarios, including a low carbon pathway.

**High ambition scenario (IEA WEO Net Zero Energy Scenario/NGFS Net Zero scenario)**

This scenario is a pathway where the world achieves Net Zero by 2050, with advanced economies reaching it sooner, but with all economies contributing in an orderly transition with strong and co-ordinated incentives. Global temperature increase is less than 1.5°C by 2100.

**Markets and megatrends**

[→ Page 12](#)

**Remuneration & People Committee report**

[→ Page 85](#)





TCFD CONTINUED

Medium ambition scenario (IEA WEO Announced Pledges Scenario)

This scenario covers all major national announced pledges as of August 2024 and assumes countries implement these national targets in full and on time. It also assumes achievement of country targets relating to clean cooking and access to electricity. Global temperature increase is less than 2°C by 2100.

Low ambition scenario (IEA WEO Stated Policies Scenario – STEPS)

This scenario is a more conservative benchmark based on the national policy and sector landscape as of August 2024, but with ambitions/full implementation not automatically incorporated into the scenario. Global temperature increase is 3°C by 2100.

Impact on the business, strategy and financial planning

Our Net Zero transition plan and GHG emissions 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 and milestones in between. This aligns with the Net Zero by 2050 targets set out by the UK and US governments (which are our largest areas of operation). Business-level initiatives and actions to reduce Scope 1 & 2 emissions are based on energy efficiency, green electricity and fleet electrification. The majority of our Scope 3 emissions will be addressed by in-country grid decarbonisation and via engaging with significant suppliers on their own science-based targets. See page 41.

As part of our ongoing strategic planning work, we have identified the global decarbonisation agenda and the fundamental revolution in energy use, energy sources and energy delivery as continuing opportunities for our John Crane and Flex-Tek businesses. These businesses already address a range of climate-related matters, including: lower emission oil & gas systems; compression, transportation and storage of hydrogen; carbon capture and storage; electrical heat; and building efficiency. See pages 50 and 52 for specific opportunities identified as arising from our climate scenarios.

Risk management

We have a Group-wide approach to risk management which is discussed in detail on pages 26 to 28. Details of how we manage our aggregate Climate change risk can be found on page 35.

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 Group and business workshops using the climate scenarios described above. Risks include impacts relating to damage to assets from weather events, cost and availability of resources, safety and comfort of our people, and regulation relating to GHG emissions. The identification process includes assessment of our value chains, for example extreme weather impact on key assets in our supply chains.

Scenario analysis outcomes

A Group summary of our risk and opportunities assessment across each scenario is provided on pages 49 to 52. As described above, risks and opportunities are categorised as arising in the short, medium or long term. They are also categorised by financial impact under the following definitions:

- 1. Very low**
  - Marginal impact on the Group
  - Financial impact less than £25 million effect on revenue
- 2. Low**
  - Relatively marginal impact on the Group
  - Financial impact £25–50 million effect on revenue
- 3. Moderate**
  - Moderate impact on the Group
  - Financial impact £50–100 million effect on revenue
- 4. High**
  - Significant impact on the Group
  - Financial impact £100–250 million effect on revenue
- 5. Very high**
  - Very significant impact on the Group
  - Financial impact more than £250 million effect on revenue



Supply chain

Read more about sustainability in our supply chain

[→ Page 45](#)

## TCFD CONTINUED

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

				Potential impact					
				SSP1 – 2.6 Net Zero		SSP2 – 4.5 Current trajectory		SSP5 – 8.5 Breach of planetary boundaries	
				2030 medium term	2050 long term	2030 medium term	2050 long term	2030 medium term	2050 long term
Risk and risk description				Time horizon and scope		Response/actions we're taking and how they are managed			
Physical risks									
<b>Environment (acute physical)</b> <b>Increased risk of property damage and business interruption, from climate-related natural hazards at our operational sites, e.g. raised severity of storm activity.</b> Here, the financial risk relates to increased costs and resulting revenue losses due to business disruption, repair and increasing insurance costs.	Medium	All businesses	All sites are required by policy to complete annual site-specific risk assessments through the business continuity plans review, which considers risks from a wide range of issues, including from severe weather.  In particular, a number of John Crane and Smiths Interconnect 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.	2	3	2	3	5	5
<b>Environment (acute physical)</b> <b>Health and safety risks,</b> 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.	Medium or Long	All businesses	A number of our facilities have been identified as vulnerable to the effects of climate change and extreme weather. There are health and safety risks associated with the increased frequency and severity of heatwaves, droughts and higher temperatures.	2	3	2	3	2	3
<b>Environment (acute physical)</b> <b>Weather events directly impacting transportation networks,</b> and the global value chain. This could lead to a loss of revenue due to delays in getting products to market.	Medium	All businesses	We are reviewing and investigating ways to minimise travel distances by ensuring products are produced as close to customers as possible.	2	3	2	3	2	3
			We aim to avoid the use of single-source materials to increase resilience over regional disruption. This includes looking at reducing double handling of products by having suppliers send directly to customers.	2	2	2	2	2	3



## Key

Short term	2025–2030
Medium term	2031–2036
Long term	2036 onwards

Risk	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25–50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50–100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100–250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.

## TCFD CONTINUED

Opportunity and opportunity description				Time horizon and scope		Response/actions we're taking and how they are managed		Potential impact					
								SSP1 – 2.6 Net Zero		SSP2 – 4.5 Current trajectory		SSP5 – 8.5 Breach of planetary boundaries	
								2030 medium term	2050 long term	2030 medium term	2050 long term	2030 medium term	2050 long term
Physical opportunities													
<b>Environment (chronic physical)</b> <b>Increased demand for cooling systems.</b> Ongoing extreme variation in global temperatures will increase demand for heating, ventilation and air conditioning (HVAC) systems from Flex-Tek globally.	Medium	Flex-Tek	Increased revenue from increased demand for residential and domestic cooling systems, driven by ongoing variation in global temperatures.	2	3	3	3	3	3				
<b>Environment (chronic physical)</b> <b>New clients/market due to increased frequency and severity of dry spells/drought.</b> John Crane also has the opportunity to develop sealing and water filtration technology for transportation and cleaning of water in water-stressed locations.	Medium	John Crane	We are reviewing and investigating ways to minimise travel distances by ensuring products are produced as close to customers as possible.	2	3	2	3	3	3				
<b>Environment (chronic physical)</b> <b>Growth in remote sensing market.</b> Increasing demand and requirements for climate change/ weather/environmental tracking and monitoring.	Medium	Smiths Interconnect	Increased revenue from growth in demand for satellite technology for environmental monitoring and tracking.	3	4	3	4	3	5				



## Key

Short term	2025–2030
Medium term	2031–2036
Long term	2036 onwards

Opportunity	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25–50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50–100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100–250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.

## TCFD CONTINUED

				Potential impact					
				IEA WEO NZE High ambition Net Zero		IEA WEO APS Medium ambition announced pledges		IEA WEO STEPS Low ambition stated policies	
				2030 medium term	2050 long term	2030 medium term	2050 long term	2030 medium term	2050 long term
Risk and risk description				Time horizon and scope		Response/actions we're taking and how they are managed			
Transition risks									
<b>Political and legal risk</b> <b>Regulations relating to sustainability and GHG emissions</b> would lead to increased costs for compliance and reporting, as well as costs associated with emissions reductions and monitoring.	Medium	All businesses	We have an established Sustainability Group and other cross-functional working groups to monitor current and emerging regulations.	3	3	2	3	2	3
<b>Market risk</b> <b>Increased transportation costs due to greater fuel costs</b> relating to freight and internal transportation.	Medium	All businesses	Reduction in double handling of products, optimising space in freight through reusable and recyclable packaging solutions and exploring localised business models.	3	3	2	3	2	3
<b>Market risk</b> <b>Increased cost and reduced availability of critical raw materials</b> , leading to price volatility and production constraints.	Medium	All businesses	Actions are taken based on trends such as pre-buys or vendor managed inventory. Businesses also periodically look at alternative materials.	3	3	2	3	2	3
<b>Market risk</b> <b>R&amp;D and capital costs required to adapt existing products and processes to suit evolving needs from customers.</b> There is a risk of unsuccessful investment.	Medium	Smiths Detection and Flex-Tek	Smiths Detection has an investment programme in place to improve product performance in anticipation of client and policy demands. Flex-Tek continually changes and adapts products to meet market demand for sustainable products.	5	5	5	5	2	2
<b>Market risk</b> <b>New and emerging competitors.</b> Reduced accessible market due to increased competition in Net Zero/energy efficiency space such as methane leakage. Increased competition could lead to reduced revenue.	Medium	All businesses	John Crane has implemented procedures to track and respond to changes in demand from traditional oil & gas customers to additionally target its portfolio of products and services to target new customers and markets, e.g., hydrogen and carbon capture.	5	2	5	2	3	2
			Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.						



## Key

Short term	2025–2030
Medium term	2031–2036
Long term	2036 onwards

Risk	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25–50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50–100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100–250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.

## TCFD CONTINUED

				Potential impact					
Opportunity and opportunity description	Time horizon and scope		Response/actions we're taking and how they are managed	IEA WEO NZE High ambition Net Zero		IEA WEO APS Medium ambition announced pledges		IEA WEO STEPS Low ambition stated policies	
				2030 medium term	2050 long term	2030 medium term	2050 long term	2030 medium term	2050 long term
Transition opportunities									
<b>Products and services</b> <b>Aviation/energy efficiency requirements, with demand increasing for efficient detection products.</b> Opportunity for increasing revenue here.	Medium	Smiths Detection	Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.	3	5	3	4	3	4
<b>Products and services</b> <b>Growth in energy efficiency products market, as there's increased demand for efficiency and emission reduction products,</b> with increased revenue from sealing solutions that reduce hydrocarbon leakage.	Medium	John Crane	Continuing development of next generation solutions for oil & gas and other industrial customers that align with their decarbonisation targets, such as via digitisation.	3	3	4	3	3	2
<b>Products and services</b> <b>Demand for new products and services in the aviation sector,</b> e.g. future development of electric planes. This could generate additional revenue.	Medium	Flex-Tek	Monitoring progress of electric aviation technology and testing. Developing relationships with existing and new market players.	2	3	2	3	1	2

## Metrics and targets

We have identified relevant metrics and targets to monitor progress in achieving our sustainability goals, as well as manage and mitigate identified climate-related risks and opportunities. They include: energy use, GHG emissions, % renewable electricity, reductions in water and waste, and water, packaging and biodiversity projects. Our metrics and targets are monitored by the ISE Committee and inform decision-making to execute our strategic priorities.

See pages 40 to 41 and pages 55 to 57 for our metrics and targets and discussion of performance in FY2025.

See page 40 for how these metrics are linked to our incentive arrangements.



## Key

<b>Short term</b>	2025–2030
<b>Medium term</b>	2031–2036
<b>Long term</b>	2036 onwards

Opportunity	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25–50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50–100 million effect on revenue.
4. High	Significant impact on the Group Financial impact: £100–250 million effect on revenue.
5. Very high	Very significant impact on the Group Financial impact: More than £250 million effect on revenue.



# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Reporting requirement	Relevant policy or document	More information and related principal risk	
<b>Environmental matters</b>	<b>Environmental Sustainability Policy</b> – our commitment to minimising the environmental impact of our business activities, products and services worldwide <b>Waste Policy</b> – the principles we have adopted to address our most significant waste impacts and issues <b>Water Policy</b> – the principles we have adopted to address our most significant water impacts and issues <b>ESG Supply Chain Due Diligence Policy</b> – the due diligence processes we have adopted for supplier selection and monitoring to ensure ESG compliance	Key performance indicators Risk management and Principal risks and uncertainties Task Force on Climate-related Financial Disclosures Sustainability metrics, targets and performance Innovation, Sustainability & Excellence Committee report Principal risk: Climate change	Page 6 Page 26 Page 46 Page 55 Page 99 Page 35
<b>Climate-related financial disclosures</b>	<b>Environmental Sustainability Policy</b> – our commitment to minimising the environmental impact of our business activities, products and services worldwide <b>Waste Policy</b> – the principles we have adopted to address our most significant waste impacts and issues <b>Water Policy</b> – the principles we have adopted to address our most significant water impacts and issues <b>ESG Supply Chain Due Diligence Policy</b> – the due diligence processes we have adopted for supplier selection and monitoring to ensure ESG compliance	Key performance indicators Task Force on Climate-related Financial Disclosures Sustainability metrics, targets and performance Principal risk: Climate change	Page 6 Page 46 Page 55 Page 35
<b>Employees</b>	<b>Code of Business Ethics</b> – outlines the ethical standards we all commit to <b>Human Rights Policy</b> – recognises the important responsibility we have with respect to human rights <b>Fair Employment Policy</b> – designed to make Smiths a fair, inclusive and respectful place to work <b>Recruitment Policy</b> – designed to attract, engage, develop and retain talented people who share our values and sense of purpose <b>Health, Safety and Well-being Policy</b> – describes our commitment to achieving excellence in the health, safety and well-being of colleagues	Key performance indicators Our people and culture Risk management and Principal risks and uncertainties Behaving ethically and legally Sustainability metrics, targets and performance Stakeholder engagement and S172 statement Remuneration & People Committee report Principal risk: People	Page 6 Page 24 Page 26 Page 43 Page 55 Page 70 Page 85 Page 33
<b>Social matters</b>	<b>Code of Business Ethics</b> – outlines the ethical standards we all commit to <b>Data Protection Code of Conduct</b> – sets out the standard for collecting and handling personal data about individuals <b>Supplier Code of Conduct</b> – our commitment to doing business safely, sustainably, lawfully and to the highest business and ethical standards <b>Modern Slavery Statement</b> – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains	Key performance indicators Our strategy and business model Business review Sustainability metrics, targets and performance Stakeholder engagement and S172 Statement Principal risk: Legal and compliance	Page 6 Page 11 Page 17 Page 55 Page 70 Page 34



## Principal risks

Read more about our principal risks

[→ Page 29](#)

## NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

Reporting requirement	Relevant policy or document	More information and related principal risk	
<b>Respect for human rights</b>	<b>Code of Business Ethics</b> – outlines the ethical standards we all commit to <b>Modern Slavery Statement</b> – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains <b>Human Rights Policy</b> – recognises the important responsibility we have with respect to human rights <b>Speak Out Policy</b> – outlines the circumstances in which an employee should Speak Out to report suspected wrongdoing and the appropriate channels to do so <b>Responsible Minerals Sourcing Policy</b> – addresses our commitment to the sourcing of minerals in an ethical and sustainable manner that safeguards human rights	Our people and culture Risk management and Principal risks and uncertainties Behaving ethically and legally Principal risk: Legal and compliance	Page 24 Page 26 Page 43 Page 34
<b>Anti-bribery and anti-corruption matters</b>	<b>Code of Business Ethics</b> – outlines the ethical standards we all commit to <b>Anti-Corruption Policy</b> – sets out Smiths approach and controls to manage bribery and corruption risks <b>Speak Out Policy</b> – outlines the circumstances in which an employee should Speak Out to report suspected wrongdoing and the appropriate channels to do so	Risk management and Principal risks and uncertainties Behaving ethically and legally Audit & Risk Committee report Principal risk: Legal and compliance	Page 26 Page 43 Page 78 Page 34
<b>Business model</b>		Key performance indicators CEO review Our strategy and business model Principal risk: Commercial	Page 6 Page 9 Page 11 Page 33
<b>United Nations Sustainable Development Goals</b>	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.	Read more on <a href="http://www.smiths.com">www.smiths.com</a>	

**Key performance indicators**[→ Page 6](#)

## Policy due diligence and outcomes

Smiths is committed to maintaining a culture of integrity and accountability. A key part of this commitment is our confidential Speak Out reporting hotline, which enables employees and stakeholders to report concerns relating to breaches of our Values, policies or the law. This reporting hotline plays an important role in assessing the effectiveness of our policies and ensuring they are upheld across the Group.

The Internal Audit function supports this by conducting regular audits to assess adherence to key policies and procedures. In FY2025, audits included cyber security and responsible sourcing, providing valuable insight into how policies are being applied in practice. In parallel, our Ethics & Compliance team issues targeted surveys to selected sites and functions each year. These surveys include questions on recruitment, employment practices and other relevant topics, and are used to assess compliance with our Human Rights Policy and broader ethical standards.

## Supporting information

More information on the Group's principal risks and how they are managed can be found on pages 29 to 36. The Group's key performance indicators, including both financial and non-financial metrics, can be found on pages 6 to 8. The Company's S172 Statement is on pages 70 to 71 in the Governance report.

# SUSTAINABILITY METRICS, TARGETS AND PERFORMANCE

## ENVIRONMENT

### Energy and GHG emissions

#### GHG inventory

The Group assesses the GHG emissions associated with all its global operations for all four of its businesses and all sites, as well as the Group 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 Group'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 CO<sub>2</sub> equivalents (MT CO<sub>2</sub>e). Because individual GHGs have different impacts on climate change, or global warming potentials (GWPs), CO<sub>2</sub>e is used to express the impact of emissions from each GHG on a common scale. Smiths uses the IPCC Sixth Assessment Report (AR6) GWPs. The Group 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.

#### Inventory boundary

Smiths Group 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.

#### Limited assurance

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

#### 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)

#### FY2024 restatement

The migration to the Watershed sustainability platform has enabled global standard methodology to be applied to emissions calculations for FY2024 and FY2025. This has resulted in a restatement of FY2024 emissions for all scopes as described in the table on page 56.

→ Read more about climate change and Net Zero  
→ [Page 40](#)

## SUSTAINABILITY METRICS, TARGETS AND PERFORMANCE CONTINUED

## FY2024 restatement

KPI	FY2024 restatement	FY2024 as previously published	Change
Global Scope 1 GHG Emissions (tCO <sub>2</sub> e)	18,758	19,687	(4.7)%
Global Scope 2 (Market Based) GHG Emissions (tCO <sub>2</sub> e)	23,820	21,072	13%
Global Scope 2 (Location Based) GHG Emissions (tCO <sub>2</sub> e)	47,150	48,989	(3.8)%
Global Scope 1& 2 (Market based) GHG emissions (tCO <sub>2</sub> e)	42,578	40,759	4.5%
Global Scope 3 GHG Emissions (tCO <sub>2</sub> e)	1,151,467	1,170,000	(1.6)%
Scope 3 Category 1 – Purchased goods and services <sup>1</sup>	671,196	728,000	(7.8)%
Scope 3 Category 2 – Capital goods	9,579	9,410	1.8%
Scope 3 Category 3 – Fuel and energy-related activities	13,308	14,600	(8.8)%
Scope 3 Category 4 – Upstream transportation and distribution	91,134	75,200	21.2%
Scope 3 Category 5 – Waste generated in operations	2,676	5,066	(47.2)%
Scope 3 Category 6 – Business travel	11,559	12,200	(5.3)%
Scope 3 Category 7 – Employee commuting	29,837	23,000	29.7%
Scope 3 Category 8 – Upstream leased assets. Excluded from inventory as immaterial	–	–	–
Scope 3 Category 9 – Downstream transportation and distribution	33,660	29,300	14.9%
Scope 3 Category 10 – Processing of sold products. Excluded from inventory as immaterial	–	–	–
Scope 3 Category 11 – Use of sold products	237,185	240,000	(1.2)%
Scope 3 Category 12 – End of life treatment of sold products	6,869	8,120	(15.4)%
Scope 3 Category 13 – Downstream leased assets. Excluded from inventory as immaterial	–	–	–
Scope 3 Category 14 – Franchises. Excluded from inventory as immaterial	–	–	–
Scope 3 Category 15 – Investments	44,464	23,150	92.1%
Global Energy Use (MWh)	218,344	215,027	1.5%

<sup>1</sup> Not impacted by the Flex-Tek subsidiary balance sheet restatement described on page 81.

## Performance and short-term targets

	FY2025	FY2024	Change	Target	Target achieved	Linked to remuneration Read more on page 85	New target	Linked to remuneration Read more on page 85
Energy use MWh	209,412 <sup>3</sup>	217,012 <sup>2,3</sup>	(3.5)%	2% <sup>1</sup> reduction in absolute MWh FY2025 vs FY2024	✓	Annual Incentive Plan FY2025	2% reduction in absolute MWh FY2026 vs FY2025 adjusted baseline	Annual Incentive Plan FY2026
Renewable electricity	74%	73%	–	80% by FY2027				
Scope 1 & 2 emissions tCO <sub>2</sub> e	36,809 <sup>3</sup>	40,760 <sup>2,3</sup>	(9.7)%	17.5% reduction by FY2027 vs FY2024		Long-Term Incentive Plan FY2024		
Scope 3 emissions tCO <sub>2</sub> e	1,188,057 $\Delta$	1,151,467 <sup>2</sup>	3.2%	SBTi trajectory				
Supplier engagement	28%	–	–	40% of supplier spend evaluated on EcoVadis by FY2027	✓			
Supplier engagement Scope 3	9%	–	–	25% of supplier spend committed to SBTi targets by FY2027	✓			

<sup>1</sup> Target expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), compared to a revenue-adjusted MWh baseline (excluding price growth within the measurement year), and excludes Wattco, Modular Metal and Duc-Pac.

<sup>2</sup> FY2024 restated. See page 55.

<sup>3</sup> Excluding Wattco, Modular Metal and Duc-Pac.

## SUSTAINABILITY METRICS, TARGETS AND PERFORMANCE CONTINUED

## SECR global energy use and emissions disclosure

		FY2025	FY2025 Continuing operations	FY2025 Discontinued operations	FY2024 restated <sup>1</sup>	FY2024 restated Continuing operations <sup>2</sup>	FY2024 restated Discontinued operations <sup>2</sup>	FY2024 <sup>3</sup> as previously published	FY2023 as previously published	Change FY2025 vs FY2024 (restated)
<b>Global energy use – absolute values</b>	MWh	<b>213,519 Δ</b>	194,945	18,574	218,344	199,193	19,151	215,027	218,094	<b>(2)%</b>
UK energy use – absolute values	MWh	<b>9,385</b>	–	–	9,661	–	–	17,906	11,394	
<b>Global emissions – absolute values</b>										
Scope 1 (direct emissions)	t CO <sub>2</sub> e	<b>17,422 Δ</b>	16,962	460	18,758	18,063	695	19,687	19,694	
Scope 2 (market-based emissions)	t CO <sub>2</sub> e	<b>20,286 Δ</b>	15,837	4,449	23,820	19,830	3,990	21,072	25,955	
Scope 2 (location-based emissions)	t CO <sub>2</sub> e	<b>46,732</b>	41,777	4,955	47,150	42,325	4,825	48,989	47,111	
Scope 3 (value chain emissions)	t CO <sub>2</sub> e	<b>1,188,057 Δ</b>	1,031,195	156,862	1,151,467	1,011,150	140,317	1,170,000	1,380,000	
<b>Total Scope 1 &amp; 2 emissions (market-based)</b>	t CO <sub>2</sub> e	<b>37,708 Δ</b>	32,799	4,909	42,578	37,893	4,685	40,759	45,649	<b>(11.4)% Δ</b>
Total Scope 1 & 2 emissions (location-based)	t CO <sub>2</sub> e	<b>64,154</b>	58,739	5,415	65,908	60,388	5,520	68,676	66,805	
UK Scope 1 & 2 emissions (market-based)	t CO <sub>2</sub> e	<b>1,228</b>	–	–	1,341	–	–	1,290	1,779	
<b>Global emissions – normalised values</b>										
Scope 1 (direct emissions)	t CO <sub>2</sub> e/£m revenue	<b>5.22</b>	–	–	5.99	–	–	6.29	6.48	
Scope 2 (indirect emissions)	t CO <sub>2</sub> e/£m revenue	<b>6.08</b>	–	–	7.61	–	–	6.73	8.55	
Scope 3 (value chain emissions)	t CO <sub>2</sub> e/£m revenue	<b>356.13</b>	–	–	367.65	–	–	373.56	454.40	
<b>Total Scope 1 &amp; 2 emissions</b>	t CO <sub>2</sub> e/£m revenue	<b>11.30</b>	–	–	13.59	–	–	13.02	15.03	<b>(16.9)%</b>

1. FY2024 restated. See page 55

2. Broken out for comparison purposes.

3. FY2024 as previously published. See page 55.

## Water, waste, packaging and biodiversity

## Performance and short-term targets

	FY2025 vs FY2024	Target
Normalised water use in stressed areas (10 locations <sup>1</sup> )	<b>(6)%</b>	5% reduction in water use in water-stressed areas normalised to revenue FY2025 to FY2027
Normalised waste disposal	<b>(6)%</b>	5% reduction in waste disposal normalised to revenue FY2025 to FY2027
Waste/circularity	<b>21 projects in FY2025</b>	30 waste/circularity projects FY2025 to FY2027
Biodiversity	<b>11 projects in FY2025</b>	30 biodiversity projects FY2025 to FY2027
Biodiversity – water	<b>14 projects in FY2025</b>	30 water saving projects FY2025 to FY2027

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



Read more about natural resources and biodiversity on page 42



## SUSTAINABILITY METRICS, TARGETS AND PERFORMANCE CONTINUED

## SOCIAL

## Safety

**Target:** continuous improvement towards a zero-harm workplace. Group RIR below 0.4.

## Performance

	Recordable injuries	Recordable incident rate per 100 employees	Lost time incident rate per 100 employees
FY2025 12 month Group safety scorecard	41	0.28	0.09
FY2024 <sup>1</sup>	71	0.44	0.21
FY2023	64	0.41	0.14
FY2022	87	0.56	0.25
FY2021	–	0.47	0.20

1 12 month Group safety scorecard for the FY2024 period shows 63 recordable injuries and RIR of 0.40.

→ [Read more about safety on page 38](#)

## Gender and ethnic diversity

**Medium-term target:** 30% of senior leadership positions held by women by FY2025. See definition in the table below.

FY2025	28%
FY2024	27%
FY2023	25%
FY2022	24%
FY2021	23%

## Other gender disclosures

As at 31 July 2025

	Male # of employees		Female # of employees		Definition
Board of Directors	8	73%	3	27%	
Executive Committee	6	67%	3	33%	
Senior Leadership Team	473	72%	188	28%	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	11,412	71%	4,691	29%	Employees on permanent and fixed-term contracts.
Senior managers (Companies Act)	166	79%	43	21%	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)	48	62%	30	38%	Executive Committee, including the Company Secretary, and their direct reports as defined by the UK Corporate Governance Code 2018.
Women in Leadership	48	62%	29	38%	Executive Committee and their direct reports as defined by FTSE Women Leaders.

## Board diversity disclosures

As at 31 July 2025, the Board did not meet all of its own diversity targets or the targets set out in Listing Rule 6.6.6R(9)(a). As at 31 July 2025, women represented 27% of the Board. This will reduce to 25% following the 2025 AGM, reflecting the planned retirements of Mark Seligman, Noel Tata and Karin Hoeing, at which point the Board will comprise eight members, two of whom will be female. See page 77 of the Nomination & Governance Committee report for more discussion of this topic.

**SUSTAINABILITY METRICS, TARGETS AND PERFORMANCE CONTINUED**

Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), as at 31 July 2025, is set out below. The Board and executive management were asked to disclose which characteristic they identified with.

<b>Sex/gender representation</b>	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management <sup>1</sup>
Men	8	73%	4	7	70%
Women	3	27%	0	3	30%
Not specified/prefer not to say	–	–	–	–	–

<b>Ethnicity representation</b>	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management <sup>1</sup>
White British or other White (including minority white groups)	9	82%	4	9	90%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	2	18%	–	1	10%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

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

**Parker Review disclosure**

The Parker Review sets specific targets to enhance the ethnic diversity of British boards, such as having at least one director from an ethnic minority background on every FTSE 100 board, disclosing the percentage of UK senior management who are from ethnic minorities, and setting a target for what this percentage should be at the end of 2027. Smiths has accordingly sought this data from its UK senior management group as defined by the Parker Review and set an FY2027 target. 81% of the population responded to the FY2025 request. Our definition of ethnically diverse covers groups with lower representation in the organisation including Asian, Black and mixed multiple ethnic backgrounds. Our FY2024 disclosure was for the global senior management population, now a voluntary submission.

<b>UK senior management<sup>1</sup> ethnicity representation</b>	<b>FY2025</b>	<b>FY2027 target</b>
Identifying as ethnically diverse	<b>13%</b>	17%
Identifying as white	<b>87%</b>	

<sup>1</sup> Defined as the Executive Committee and their direct reports. Based on 81% who responded.

**Reward and recognition**

Recognising and rewarding colleagues in a fair, open and meaningful way is an important foundation for developing and attracting talent. We are committed to fair pay practices, ensuring colleagues are rewarded fairly and equally for the work they do and their performance, and that they have opportunities to participate in our success.

Colleague benefits, which include access to an Employee Assistance Programme for colleagues and their families, rights to parental leave, the opportunity to request part-time or job share working and a paid volunteering day, are aligned across all our geographies, businesses and Group. Approximately 6,000 colleagues participate in our Group Annual Incentive Plan (AIP).

We have been an accredited Living Wage employer in the UK since 2018. In the UK, we operate an all-colleague Sharesave Scheme, which enables colleagues to buy Smiths shares at a discounted rate.

**Equal opportunities**

We provide equal employment opportunities. We recruit, support and promote our people based on their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable anti-discrimination requirements in the relevant jurisdictions. We have zero tolerance for discrimination, harassment or retaliation. Our procedures and training activities advocate and enforce fair treatment for all. We recruit using balanced slates and interview panels where possible and have 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.

# 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 62. The financial position of the Company, its cash-flows, liquidity position and borrowing facilities are described on pages 15 to 17. 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 on page 61, with a severe but plausible downside scenario, taking into account everything that has been learnt since the COVID-19 pandemic.

At 31 July 2025 the net debt of the Group, including businesses held for sale, was £441m, a £228m increase from 31 July 2024. At the end of July, the Group, including businesses held for sale, had available cash and short-term deposits of £226m. These liquid resources are immediately available with 93% invested with the Group's global banking partners. The Group's debt profile shows an average maturity of 1.6 years (from 2.6 years at 31 July 2024). There are no scheduled repayments of debt due until February 2027.

At 31 July 2025 the Group had two Revolving Credit Facilities (RCFs) from these banks. A US\$800m RCF which matures in May 2030 and a £200m RCF which matures in June 2027. These RCFs have no financial covenants attached and were undrawn at 31 July 2025.

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 2018 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 29 to 36 (the 'viability assessment').

The Directors have determined that a three-year period to 31 July 2028 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 2026 and forecasts for 2027 and 2028. Against these financial projections, the Directors took into account the principal risks (as outlined on pages 29 to 36 to develop a set of plausible scenarios (as set out overleaf) with potentially high-impact outcomes.

- FX rates for £ at US\$1.30 and €1.19 and are modelled to remain at this level in the forecast period;
- Interest payments have been updated to reflect latest forecast interest rate increases with no further refinancing, with overdrafts and the Group's RCF drawn to maintain our minimum cash requirements;
- Dividend payments 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 a lower growth or cuts representing potential mitigation actions;
- The bond due to be repaid in FY2027 of £550m is assumed to be partially refinanced with the balance

- funded by cash on hand in all scenarios due to the strategic separations currently underway; and
- The currently announced £500m buyback is modelled to complete by December 2025 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 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 review models. The base case viability model includes a sale of Smiths Interconnect completing in H2 of FY2026 and a sale of Smiths Detection completing in H1 of FY2027. The cashflows of the sales along with a share buyback for the majority of the proceeds, 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.



## Principal risks

[→ Page 29](#)

## GOING CONCERN AND VIABILITY STATEMENT CONTINUED

## Scenarios modelled

Scenarios	Link to principal risks	Scenario-specific assumptions
<b>Scenario 1</b> 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	<ul style="list-style-type: none"> <li>– 20% fall in revenue across the Group in FY2026, with a 10% fall in FY2027 (i.e. a partial slow recovery) and a 5% fall in FY2028 compared to the base case</li> <li>– 65% reduction in operating profit in FY2026 due to plant closures, customer and supply chain disruption, a 35% fall in FY2027 and 20% in FY2028</li> <li>– Increased working capital due to stock builds and customer defaults</li> <li>– No mitigating activities such as restructuring and headcount reductions</li> <li>– Strategic separations continue as planned</li> </ul>
<b>Scenario 2</b> Risk scenario 1 is coupled with the inability to separate either Smiths Interconnect or Smiths Detection in the viability period.	Business continuity and Economy and geopolitics	<ul style="list-style-type: none"> <li>– Assumptions are detailed in the above previous scenario 1</li> <li>– Strategic separations unable to continue, Smiths Interconnect and Detection cashflows retained including the Group-wide downside assumptions from scenario 1</li> <li>– No separation proceeds or accompanying buyback are included</li> <li>– No mitigating activities such as restructuring and headcount reductions</li> </ul>
<b>Scenario 3</b> 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	<ul style="list-style-type: none"> <li>– Legal defence costs of £20m per annum plus a one-off payment of £100m in FY2026 in settlement of the deceaseds' claims</li> <li>– Legal defence costs of £5m per annum over the review period in relation to agreement of restoration costs</li> <li>– Restoration costs of £50m spread over the three-year review period</li> <li>– Legal defence costs of £25m per annum over the review period in relation to mitigation of consequential loss claims</li> <li>– One-off payment of £250m payable in FY2026 in settlement of the losses claim</li> <li>– Insurance claim rejected</li> </ul>
<b>Scenario 4</b> Following a product cyber attack, a terrorism related incident occurs at a US airport. As a consequence, the US Government revokes Smiths Detection's licence. Sales of Smiths Detection's products to the US Military and all other governmental contracts are banned and, due to the reputational damage, the impact of the ban spreads to other Group businesses.  It is assumed in this scenario that the reputational damage is such to stop any separation process for Smiths Detection and therefore this scenario includes Smiths Detection's cash, albeit at a much lower level going forwards.	Cyber security and Product quality	<ul style="list-style-type: none"> <li>– Immediate loss of all US-based Government contracts within Smiths Detection</li> <li>– 25% fall in other Smiths Detection revenue over FY2026</li> <li>– Gross margin dilution impacted further by a 20% reduction for Smiths Detection margins in FY2027 and FY2028</li> <li>– Loss of 50% of Smiths Interconnect's North America revenue</li> <li>– Legal defence costs of £10m per annum</li> <li>– £100m fine levied by the US Government for security breach</li> <li>– £50m compensation paid to the US Government in FY2026 in respect of previous products purchased that may have security flaws</li> <li>– Insurance claim under product liability is not met or delayed outside of the review period</li> <li>– Separation of Smiths Detection is not completed in the period and no accompanying share buyback is included</li> <li>– Smiths Detection cashflows retained, adjusted for scenario assumptions</li> <li>– Separation of Smiths Interconnect is unaffected</li> <li>– No mitigating activities such as restructuring and headcount reductions</li> </ul>

## GOING CONCERN AND VIABILITY STATEMENT CONTINUED

## Scenarios modelled continued

Scenarios	Link to principal risks	Scenario-specific assumptions
<p><b>Scenario 5</b></p> <p>Smiths Detection is found guilty of bribing government officials in Asian countries in order to land significant contracts. This damages the Group's reputation and leads to worldwide regulators imposing significant sanctions on the Group.</p> <p>It is assumed in this scenario that the reputational damage is such to stop any separation process for Smiths Detection and therefore this scenario includes Smiths Detection's cash, albeit at a much lower level going forwards.</p>	Legal and compliance	<ul style="list-style-type: none"> <li>– Regulatory fines globally amounting to £100m</li> <li>– Loss of all future revenue in both China and India</li> <li>– 10% sales erosion in Smiths Detection's USA and EMEA markets due to reputational damage</li> <li>– £50m of severance costs incurred</li> <li>– 10% fall in revenue within other Smiths businesses due to the reputational impact</li> <li>– Smiths Detection is not separated, with underlying cashflows modelled back in with the above assumptions on the base case less 10% noted above</li> <li>– No separation proceeds or accompanying buyback are included for Smiths Detection</li> <li>– Separation of Smiths Interconnect is unaffected</li> <li>– No mitigating activities such as restructuring and headcount reductions</li> </ul>
<p><b>Scenario 6</b></p> <p>A major fire at the John Crane plant in the Czech Republic renders the facility unusable, causing severe disruption to production.</p>	Business continuity	<ul style="list-style-type: none"> <li>– Loss of six months EMEA revenue and margin in FY2026</li> <li>– 20% reduction in future (FY2027 and FY2028) EMEA revenue due to loss in market shares and competitiveness</li> <li>– Breach of supply contracts leading to legal defence costs of £20m per annum plus a one-off settlement of £50m in FY2026</li> <li>– Refurbishment and repair costs of £50m in Czech Republic (net of insurance claims)</li> <li>– Costs of increasing capacity at other John Crane sites adds additional £50m of cost</li> <li>– Capital expenditure on replacement equipment in Czech Republic of £20m (net of insurance claims)</li> </ul>

The Strategic report was approved by the Board on 22 September 2025.

By order of the Board

**Roland Carter**  
Chief Executive



# GOVERNANCE REPORT

## Chairman's introduction

As the Group progresses its separation activities, I am pleased to introduce our Governance report, which outlines our governance framework and details how the Board fulfilled its duties over the past year.

Board succession planning remained a key focus throughout FY2025. We were pleased to announce the appointment of Julian Fagge as Chief Financial Officer and to welcome Simon Pryce as a Non-executive Director. Both Julian and Simon are highly experienced business leaders with significant experience in M&A. This will be invaluable as Smiths continues to evolve. Further details about their appointments can be found in the Nomination & Governance Committee report on page 75. Julian's appointment to the Board led to subsequent changes to the Executive Committee. It is essential that both the Board and the senior leadership team possess the right combination of skills, experience and expertise in order to ensure Smiths long-term success. As we look ahead to FY2026, succession planning for both the Board and the Executive Committee will remain a key focus.

This year we have also made changes to the Board's governance framework. In January we established the Separation Oversight Committee (SOC) to provide dedicated Board-level oversight of the Group's separation activities. The SOC plays a vital role in ensuring that the separations are executed in a way that delivers shareholder value, maintains operational continuity, and supports the strategic direction of the Group. It also ensures that the Board remains closely engaged with the risks, opportunities and stakeholder impacts associated with separation activity.

We also agreed to retire the Innovation, Sustainability and Excellence (ISE) Committee following the AGM in November 2025. Since its formation, the ISE Committee has been instrumental in setting the tone from the top and driving the importance of innovation, sustainability, and excellence throughout the business. With these areas now integrated into our operations, and with only two businesses remaining post separation, elements of the ISE Committee's remit will be moved to the Board, reflecting the strategic importance of sustainability and innovation. Assurance, risk and remuneration matters related to ISE will transition to the Audit & Risk and Remuneration & People Committees respectively.

I would like to thank the ISE Committee Chair, Dame Ann Dowling, and all Committee members for their commitment to innovation, sustainability, and excellence which remain critical to Smiths success.

I was also pleased with the results of the Board's externally facilitated Board review. More information can be found on page 72.

I hope you find the Governance report informative and transparent. I look forward to discussing its contents at our upcoming AGM. Finally, I would like to thank the Group's workforce and my fellow Directors for their hard work on behalf of our shareholders throughout the year. In particular, I wish to acknowledge Mark Seligman, Noel Tata and Karin Hoeing, who will be retiring from the Board following the AGM in November. I would like to thank Mark, Noel and Karin for their significant contributions to Smiths. They have each been instrumental in shaping and developing our current value creation strategy. We wish them all the best for the future.

**Steve Williams**  
Chairman

## UK Corporate Governance Code compliance

In FY2025, and at the date of this report, the Company applied the Principles and complied with all Provisions of the FRC's UK Corporate Governance Code 2018 (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.



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

**Board leadership and Company purpose**

[→ Page 64](#)

**Division of responsibilities**

[→ Page 67](#)

**Composition, succession and evaluation**

[→ Page 72](#)

**Audit, risk and internal control**

[→ Page 78](#)

**Remuneration**

[→ Page 85](#)

## BOARD LEADERSHIP AND COMPANY PURPOSE

# ROLE OF THE BOARD

The Board is responsible for the long-term sustainable success of Smiths. It leads the Group by setting the strategic direction and overseeing its execution, ensuring alignment with our purpose, culture and Values. In doing so, the Board aims to deliver value for shareholders and broader stakeholders alike.

The Board maintains oversight of the Group's internal controls, risk management, viability and overall resilience. These areas are regularly monitored by the Directors to support effective decision making and the creation and protection of stakeholder value. To discharge its responsibilities effectively, the Board has approved a comprehensive governance framework. This includes a clearly defined Schedule of Matters Reserved for the Board and delegated authorities to its five Committees. The framework ensures that the Board has the information it needs to assess the risks and opportunities facing the Group and to provide appropriate challenge and support to management.

The governance framework, including the Terms of Reference for each of the Board's Committees, is reviewed annually and can be found on our website at [www.smiths.com](http://www.smiths.com). The Directors may exercise all powers of the Company, subject to applicable legislation, regulation and the Articles of Association.

## Governance framework

Board				
Board Committees				
Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Innovation, Sustainability & Excellence Committee	Separation Oversight Committee
<p>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.</p> <p>Oversees the ongoing effectiveness of the Group's governance framework.</p>	<p>Ensures the integrity of the Group's 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 Group's ethics and compliance activities.</p> <p>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.</p>	<p>Responsible for the Group's Directors' Remuneration Policy and reviews and oversees the Group's remuneration strategy for the Executive Directors and senior management.</p> <p>Oversees, on behalf of the Board, the implementation of the People strategy for the Group, including the Group's approach to diversity, equity and inclusion.</p>	<p>Oversees the Group's approach to innovation, sustainability and excellence (ISE). This includes overseeing strategy in relation to innovation and sustainability, Smiths Excellence and reviewing and determining ISE targets, metrics and key performance indicators relating to remuneration.</p> <p>This Committee will be retired at the conclusion of the 2025 AGM.</p>	<p>This Committee was formed in FY2025.</p> <p>Reviews and recommends to the Board the method, terms and timing of the separations of Smiths Interconnect and Smiths Detection, along with the use of any proceeds.</p>
Executive Management Committees				
Executive Committee	Investment Committee	Disclosure 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.	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.	Advises the Chief Executive Officer and the Board on the identification of inside information, and the timing and method of its disclosure.		

**Read more**

Nomination & Governance Committee report

[→ Page 74](#)

**Read more**

Audit & Risk Committee report

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**Read more**

Remuneration & People Committee report

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**Read more**

Innovation, Sustainability & Excellence Committee report

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# BOARD BIOGRAPHIES

## Steve Williams Chairman

**Appointed:** 1 September 2023



**Skills and experience:** Steve has over four decades of international experience, most recently as Chairman and CEO of global businesses. Steve has a proven history of driving growth and transformation, creating value for shareholders, customers, employees, and communities in both executive and non-executive roles.

**Career experience:** Steve was previously Chairman at Alcoa Corporation and a non-executive director at TC Energy Corporation. He served as an advisory Board member of Canada's Ecofiscal Commission and a Board member of the business council of Canada until 2019. Steve served as Chief Executive Officer of Suncor Energy Inc., the US and Canadian listed integrated energy company, from 2012 to 2019 and as President from 2011 to 2018. Steve spent the first 18 years of his career at ExxonMobil in the UK, in a variety of commercial, operational, and technical roles.

**Qualifications:** Steve has a BSc in Engineering and is a graduate of the business economics program at Oxford University and the advanced management program at Harvard Business School.

**Other significant appointments:** Chairman of Enbridge Inc.

## Roland Carter Chief Executive Officer

**Appointed:** 26 March 2024

**Skills and experience:** Roland has a strong track record of innovation, sustainability and delivering results, with deep operational and strategic experience developed over 30 years at Smiths. He has extensive international experience, having worked in France, Germany, the US and China.

**Career experience:** Prior to Roland's appointment as Chief Executive Officer, he had been with Smiths Group for more than three decades, holding numerous leadership roles within the business. Before being appointed Chief Executive Officer, Roland was President of Smiths Detection, President of Asia Pacific for Smiths Group and President of Smiths Interconnect.

**Qualifications:** Roland is a Chartered Engineer, holding both a Bachelor's degree in Mechanical Engineering and a Master's degree in Electronics.

## Julian Fagge Chief Financial Officer

**Appointed:** 1 February 2025. Julian will be standing for election by shareholders at the 2025 AGM.

**Skills and experience:** Julian is a highly experienced leader, with a strong focus on value accretion and growth. His skills in strategy development, M&A and finance were strengthened in his roles as Group Financial Controller and Group Strategy and M&A Director at Smiths.

**Career experience:** Prior to becoming Chief Financial Officer, Julian was President of Smiths Interconnect. He joined Smiths as Group Financial Controller in July 2013 and was appointed as Group Strategy and M&A Director in October 2017 and CEO of Flex-Tek in 2019. Before joining Smiths, Julian was the Finance Director for UK and Ireland at Royal Caribbean Cruises for two years. Prior to that, he spent 12 years at Procter & Gamble in Geneva, Switzerland.

**Qualifications:** Julian has an MA from the University of Edinburgh and is a Chartered Accountant qualified with The Institute of Chartered Accountants of Scotland.

**Other significant appointments:** Non-executive Director at NASCIT plc.

## Pam Cheng Non-executive Director

**Appointed:** 1 March 2020



**Skills and experience:** Pam's expertise in R&D, manufacturing, sales, marketing, commercial operations, supply chain management, and technology enhance the Board's discussions about embedding world-class operations.

**Career experience:** Pam is Executive Vice President, Global Operations, IT & Chief Sustainability Officer at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Prior to joining AstraZeneca in 2015, Pam was the Head of Global Supply Chain Management & Logistics for Merck. Pam also held the role of President of MSD China. Pam previously held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

**Qualifications:** Pam holds Bachelor's and Master's degrees in Chemical Engineering from Stevens Institute of Technology, New Jersey and an MBA in Marketing from Pace University, New York.

## Alister Cowan Non-executive Director

**Appointed:** 1 July 2024. Alister will be appointed as the Chair of the Remuneration & People Committee at the conclusion of the 2025 AGM.



**Skills and experience:** Alister has extensive experience at complex global public companies and brings deep and wide-ranging knowledge of key end markets for Smiths, notably in the energy and chemical sectors.

**Career experience:** Alister was Chief Financial Officer of Suncor Energy Inc., the US and Canadian listed integrated energy company, from 2014 to 2023. Prior to joining Suncor, Alister served as Chief Financial Officer of Husky Energy Inc. from 2008 to 2014. Before joining Husky Energy, he held various positions with companies throughout Europe, New Zealand and Canada.

**Qualifications:** Alister has a Bachelor's degree in Accounting and Finance from the Heriot-Watt University and is a Member of The Institute of Chartered Accountants of Scotland.

**Other significant appointments:** Lead Independent Director and Chair of the Audit, Risk and Finance Committee at The Chemours Co. Non-executive Director and member of the HR & Compensation Committee and Audit Committee at Pembina Pipeline Corporation.

## Dame Ann Dowling Non-executive Director

**Appointed:** 19 September 2018. Dame Ann will be appointed as the Senior Independent Director at the conclusion of the 2025 AGM.



**Skills and experience:** Dame Ann is internationally recognised for her contribution to engineering research. Her expertise in engineering, innovation, and sustainability provides a unique perspective to Board discussions.

**Career experience:** Dame Ann has had a distinguished academic career and is currently an Emeritus Professor of Mechanical Engineering at the University of Cambridge. Dame Ann was Deputy Vice Chancellor at the University of Cambridge from 2015 to 2025, and served as Head of Engineering for five years until 2014. Additionally, Dame Ann was the President and Chairman of Trustees of The Royal Academy of Engineering from 2014 to 2019. She also served as Non-executive Director of BP plc from 2012 to 2021, where she was a member of the Safety and Sustainability Committee.

**Qualifications:** Dame Ann has a degree in Mathematics and a PhD in Engineering from the University of Cambridge.



### Key

- Nomination & Governance Committee
- Audit & Risk Committee
- Remuneration & People Committee
- Innovation, Sustainability & Excellence Committee
- Separation Oversight Committee
- Committee Chair

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

### Other Directors who served during FY2025

Clare Scherrer retired from the Board in FY2025. Her biography can be found in our FY2024 Annual Report.



### Read more

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

## BOARD BIOGRAPHIES CONTINUED

**Karin Hoeing**  
**Non-executive Director**

**Appointed:** 2 April 2020. Karin will retire from the Board at the conclusion of the 2025 AGM.



**Skills and experience:** Karin's experience in oil & gas, defence, security, and aerospace bring considerable guidance in these sectors and in ESG and sustainability matters. As Chair of the Smiths Remuneration & People Committee, Karin oversees workforce engagement by the Non-executive Directors.

**Career experience:** Karin is Group ESG, Culture and Business Transformation Director at BAE Systems plc. Prior to this she was Group Human Resources Director. Before joining BAE in 2018, Karin led one of the major international business divisions at Schlumberger, a multinational oil services company. Karin spent 20 years at Schlumberger, where she held several senior HR, marketing, technology and line management leadership positions across Europe, the Middle East and Asia.

**Qualifications:** Karin holds a Diploma in Geophysics (MSc Geophysics) from the University of Hamburg, Germany.

**Richard Howes**  
**Non-executive Director**

**Appointed:** 1 September 2022



**Skills and experience:** Richard brings significant, current expertise in M&A activity to the Board. His broad experience in senior financial roles across various sectors within large, listed companies provides valuable insight to Board discussions.

**Career experience:** Richard currently serves as Chief Financial Officer of Bunzl plc, the specialist international distribution and services Group. Richard qualified as a Chartered Accountant with Ernst & Young before moving to the investment bank Dresdner Kleinwort Benson. Prior to joining Bunzl in 2019, Richard held CFO positions at various multinational businesses including Inchcape plc, Coats Group plc and Bakkavor plc.

**Qualifications:** Richard holds a BSc in Geography from Loughborough University and is a Fellow of The Institute of Chartered Accountants in England and Wales.

**Simon Pryce**  
**Non-executive Director**

**Appointed:** 1 February 2025. Simon will be standing for election by shareholders at the 2025 AGM.



**Skills and experience:** Simon is a highly experienced business leader of customer focused, global, industrial manufacturing and service businesses, with a strong track record of value creation. He has held several Chief Executive Officer positions at listed companies with direct experience of Smiths Group's key end markets, customers and supply chains.

**Career experience:** Simon is the Chief Executive of RS Group plc, a FTSE listed, global omni-channel provider of product and service solutions. He was appointed into the role in 2023. Prior to that he was Chief Executive of Ultra Electronics Holdings plc between 2018 and 2022 and Chief Executive of BBA Aviation plc between 2007 and 2018. He was a non-executive Director of RS Group from 2016 and Remuneration Committee Chairman from 2020 until his appointment as CEO.

**Qualifications:** Simon has a BSc from Reading University and is a Member of The Institute of Chartered Accountants in England and Wales.

**Mark Seligman**  
**Senior Independent Director**

**Appointed:** 16 May 2016. Mark will retire from the Board at the conclusion of the 2025 AGM.



**Skills and experience:** Mark's extensive non-executive background, including as senior independent director and audit committee chairman at several FTSE 100 companies, is valuable to our Board. Mark has significant experience in corporate finance and capital markets, which supports Board discussions on portfolio management and strategy.

**Career experience:** During his career as a senior investment banker, Mark held various roles at Credit Suisse, including Chairman of UK Investment Banking. Mark was previously Senior Independent Director at NatWest Group plc.

**Qualifications:** Mark has an MA in Philosophy, Politics and Economics from Oxford University.

**Other significant appointments:** Alternate member at Panel on Takeovers and Mergers for the Association for Financial Markets in Europe; Chairman of the Trustees, Brooklands Museum.

**Noel Tata**  
**Non-executive Director**

**Appointed:** 1 January 2017. Noel will retire from the Board at the conclusion of the 2025 AGM.



**Skills and experience:** Noel has had a long and successful global business career, providing him with extensive knowledge of the high-growth economies which are crucial for our strategy.

**Career experience:** Noel was appointed as Chairman of Tata Trusts in 2024 and in that capacity, he chairs all the Trusts that comprise the Tata Trusts. Noel joined the Board of Tata Sons Pvt Ltd in 2024 and is Non-Executive Chairman and Director of Tata International Limited, having served as Managing Director until November 2021. Noel has been associated with the Tata Group for over 40 years.

**Qualifications:** Noel has a BA in Economics from the University of Sussex.

**Other significant appointments:** Each of the following companies forms part of the Tata Group: Non-independent Non-executive Chairman at Tata Investment Corporation, Trent Ltd and Voltas Ltd. Non-independent Non-executive Vice Chairman at Tata Steel Limited and Titan Company Ltd.

**Matthew Whyte**  
**Company Secretary**

**Appointed:** 1 August 2021

**Skills and experience:** Matthew is a Chartered Company Secretary and a Fellow of The Chartered Governance Institute UK and Ireland. Matthew joined Smiths in 2017 having previously gained governance and legal experience in senior roles in large multinational listed groups in a variety of sectors, most recently at Schroders plc and Rio Tinto plc. Matthew is a member of the GC100 Executive Committee.

**Key**

- Nomination & Governance Committee
- Audit & Risk Committee
- Remuneration & People Committee
- Innovation, Sustainability & Excellence Committee
- Separation Oversight Committee
- Committee Chair

## DIVISION OF RESPONSIBILITIES

# HOW THE BOARD OPERATES

The Board operates under a formal Schedule of Matters Reserved for its decision, covering issues of strategic, financial or reputational significance. This ensures that key decisions are taken at the appropriate level and supports effective oversight and accountability. The Schedule forms part of our wider governance framework.

There is a clear division of responsibilities between the leadership of the Board and the executive management of the Group. The Chairman is responsible for leading the Board and ensuring its effectiveness, while the Chief Executive Officer is responsible for the day-to-day management of the business and for developing and implementing the Group's strategy, as approved by the Board.

Executive management provide the Board with the information and insight required to support informed decision-making. At each Board meeting, the Chief Executive Officer and Chief Financial Officer report on business performance and progress against strategic objectives. Business Presidents, functional leaders and subject matter experts are regularly invited to present to the Board, providing visibility of talent and supporting succession planning. External advisers attend Board and Committee meetings as required.

The Chairman meets with the Non-executive Directors without the Executive Directors present after each Board meeting and holds regular discussions with the Senior Independent Director and Committee Chairs. He also meets each Non-executive Director individually at least once a year. The Senior Independent Director meets with the Non-executive Directors annually without the Chairman present to assess the Chairman's performance.

The Company Secretary supports the Board by ensuring the timely provision of clear, concise and balanced materials.

Director attendance at Board and Committee meetings during FY2025 is set out below.

## Director attendance

	Board	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Innovation, Sustainability & Excellence Committee	Separation Oversight Committee	Ad hoc Board Committees <sup>1</sup>
Steve Williams	9/9	6/6	–	6/6	–	4/4	2/2
Roland Carter	9/9	–	–	–	–	–	2/2
Clare Scherrer <sup>2</sup>	5/5	–	–	–	–	–	–
Julian Fagge <sup>3</sup>	4/4	–	–	–	–	–	1/1
Alister Cowan	9/9	–	4/4	–	–	4/4	1/1
Pam Cheng	9/9	–	–	6/6	4/4	–	–
Dame Ann Dowling	9/9	–	–	6/6	4/4	–	–
Karin Hoeing	9/9	6/6	–	6/6	4/4	–	–
Richard Howes <sup>4</sup>	9/9	6/6	4/4	–	–	3/4	2/2
Mark Seligman <sup>5</sup>	9/9	5/6	4/4	–	–	4/4	1/1
Noel Tata <sup>6</sup>	8/9	6/6	–	–	4/4	–	–
Simon Pryce <sup>7</sup>	4/4	–	2/2	–	–	4/4	–

1 Two additional ad hoc Board Committees were held to consider the Group's response to the cyber security incident and the strategic review (before the formation of the Separation Oversight Committee)

2 Clare Scherrer retired as Chief Financial Officer in February 2025

3 Julian Fagge was appointed as Chief Financial Officer in February 2025

4 Richard Howes was unable to attend a Separation Oversight Committee meeting which was held at short notice

5 Mark Seligman did not attend one meeting of the Nomination & Governance Committee as his own succession was being considered

6 Noel Tata was unable to attend an ad hoc Board meeting which was held at short notice

7 Simon Pryce was appointed as Non-executive Director in February 2025



### Board review

→ Page 72



### Board activity and key decisions

→ Page 69



## 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 the Group's 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 the Group's financial statements to ensure they are a true and accurate reflection of the Company's performance
- Ensures the Group 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



### Read more

Nomination & Governance  
Committee report

[→ Page 74](#)

## Time commitment

All Directors must allocate sufficient time to discharge their responsibilities effectively. The letter of appointment for Non-executive Directors sets out an expected time commitment of 25 days per annum. However, the Chairman, Committee Chairs and the Senior Independent Director commit additional time as required by the demands of their roles. In the normal course of business, Directors are expected to familiarise themselves with business priorities and challenges, attend and prepare thoroughly for Board and Committee meetings, engage with stakeholders and participate in the Board review process.

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. The Board reviews all new external appointments in advance, to consider potential conflicts and time commitments.

In FY2025 the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their commitments to Smiths. This included considering the Directors' positions held at other organisations.

Particular consideration was given to Noel Tata's other commitments as he holds a number of board-level positions outside the Group as shown in his biography on page 66. These roles, all held within the Tata Group, were reviewed by the Board and were found not to impact his ability to meet his responsibilities and time

commitment to Smiths. After serving on the Board for almost nine years, Noel will not be seeking re-election at the 2025 AGM.

## Independent advice and insurance

Directors are able to seek independent professional advice, at the expense of Smiths, to enable them to fulfil their obligations as members of the Board. In addition, the Directors and Officers of Smiths and its subsidiaries benefit from Directors' and Officers' liability insurance policy. Throughout FY2025, and at 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 the Company Secretary of the Company. These provisions cover specific liabilities incurred in the course of their duties to the Company or its subsidiaries.



# BOARD ACTIVITY AND KEY DECISIONS

## Strategy

### Key decision

- In January, the Board agreed several strategic actions to unlock value and enhance returns to shareholders. These included the planned separation of the Smiths Interconnect and Smiths Detection businesses

**Stakeholders considered: Our people, Customers, Suppliers, Communities, Governments and regulators, Investors**

- Evaluated acquisition opportunities and approved the acquisition of Duc-Pac Corporation, Modular Metal Fabricators, Inc. and Wattco, Inc.
- Received regular performance updates on all of the businesses
- Received updates on the progress of the Acceleration Plan
- Held discussions with external experts on strategically significant topics including energy transition and the current macro-economic environment
- Received regular sustainability updates and reports on progress against our sustainability targets

## People and culture

### Key decision

- Discussed Board succession planning and approved the appointment of a new Chief Financial Officer and Non-executive Director. See page 75 for more information.

**Stakeholders considered: Our people, Investors**

A summary of the Board's activities and key decisions taken in FY2025 is set out below. The stakeholder groups considered as part of the decision-making process are listed in the blue boxes denoting key decisions.

- Discussed senior management succession planning, including the talent pipeline across the Group, and endorsed changes to the Executive Committee
- Received updates from the Non-executive Directors on their workforce engagement activities
- Received regular health and safety reports and statistics
- Reviewed the implementation of the Group's People strategy and were provided with a deep-dive on culture
- Received updates about the Group's pension arrangements
- Reviewed the work of the Smiths Group Foundation
- Approved the Board Diversity Policy and the Modern Slavery Statement for publication on the website

## Finance

### Key decisions

- Agreed the Company's capital allocation priorities in the context of its investment strategy and growth agenda. This included approving the enhanced share buyback programme, M&A-related expenditure, the final dividend for FY2024 and the FY2025 interim dividend
- Considered the Group's financing arrangements and approved the proposal to re-establish the Group's Euro Medium Term Note programme
- Approved the Group's FY2026 financial budget
- Approved the Group's financial results announcements and the FY2024 Annual Report, and the updated guidance for full-year organic revenue growth

**Stakeholders considered: Investors, Governments and regulators**

- Considered individual business performance through deep-dives as part of the annual Board and Committee meeting cycle
- Approved the Tax Strategy for publication on the website

## Governance and oversight

### Key decisions

- Approved the Group's principal risks
- Oversaw the Group's response to the cyber security incident

**Stakeholders considered: Our people, Customers, Suppliers, Communities, Governments and regulators, Investors**

- Continued oversight of the internal control framework
- Approved and provided oversight of the Ethics & Compliance annual work programme, including regular updates on the Group's Speak Out whistleblowing hotline
- Completed an external review of Board effectiveness and agreed on areas of development. See page 72 for more information
- Approved changes to the Board's governance framework, including the addition of the Separation Oversight Committee and the retirement of the Innovation, Sustainability & Excellence Committee
- Considered investor feedback following the Group's financial results, strategic actions announcements and investor roadshows, and held a UK Shareholder Association Event to engage with current and potential retail shareholders



### Read more

Section 172 Statement and stakeholder engagement

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# SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT

During the year ended 31 July 2025, the Directors acted in accordance with their duties under Section 172 of the Companies Act 2006, promoting the long-term success of the Group for the benefit of shareholders while considering the interests of wider stakeholders. The Board's decisions were guided by our strategic objectives and Values, and were made with a clear focus on sustainable growth, responsible business conduct, and the creation of long-term value. Directors considered a broad range of stakeholder perspectives, balancing commercial priorities with the needs of employees, customers, suppliers, shareholders, and the communities in which we operate. This engagement, through a range of mechanisms detailed in this section, enables the Board to understand competing priorities and make informed, fair decisions, particularly where interests may conflict. The Board receives regular reports on stakeholder views and engages directly where appropriate. Our governance framework, supported by robust processes and a commitment to transparency, ensures that stakeholder considerations are integral to decision-making and that high standards of conduct are maintained. The Board continues to act fairly between shareholders, providing regular updates and encouraging dialogue through the AGM and other channels.

## Engaging with our stakeholders

### Our people

- Our people are vital to the success of the Group. We aim to attract and retain talent by creating an environment based on respect, personal growth, recognition, talent development and a sense of belonging and purpose. Our culture, guided by our Values, empowers our people to deliver our purpose and makes Smiths a place where people are proud

to work. The Board is closely monitoring the impact of the announcement of the strategic actions on our people. The Chief Executive Officer provides regular written and verbal updates about how our people are being supported through the significant ongoing change.

- The Board and Remuneration & People Committee receive regular updates and deep-dives from the Chief People, Sustainability & Excellence Officer on employee engagement, reward, talent, and diversity and inclusion. They also monitor KPI metrics in these areas. Engagement can be measured through our annual employee engagement survey 'My Say', with results available on page 25.
- Our commitment to our people begins with their safety and health. Workplace safety is our top priority, and Directors receive health and safety reports at every Board meeting. These reports also cover well-being and physical security management. Over the year, the Board has been updated on the status of colleagues working or travelling in areas where there is conflict or geopolitical uncertainty.
- As part of our Non-executive Director workforce engagement programme, Directors meet with colleagues across the business. In FY2025, these included informal introductions and sites visits in China, the UK and the US. They also joined meetings with teams in the business and in corporate functions, both in person and virtually.
- Engaging and communicating on ethical matters is vitally important, as is colleagues having trust in our procedures. The Audit & Risk Committee receives updates on Speak Out, our confidential reporting hotline, and other reports and statistics relating to the Group's ethical policies and performance. More information on page 43.

### Our customers

- Meeting customer needs and exceeding their expectations is a fundamental part of our operating model and our Values. Management teams engage with customers through formal feedback activities such as surveys, quarterly business reviews, aftermarket service team reviews, and senior team meetings as well as informal feedback from operational and field-based teams. As appropriate, our customers have been engaged regarding the planned strategic actions announced during the year.
- Transparency with our customers was a critical part of our response to the cyber incident earlier in the year. The Board were updated on engagement with this stakeholder group as part of their oversight of the Group's response.
- The Board considers a deep-dive from each business on their performance and strategy. At a Board level this includes customer data and commentary. The Innovation, Sustainability & Excellence (ISE) Committee reviews reports from each business on innovation and new product development. For more information see the ISE Committee report on pages 99.
- Customer needs and market challenges are considered in monthly business performance updates to the Executive Committee, with a deep-dive every quarter.



#### Read more

Our people and culture

[→ Page 24](#)



#### Read more

Behaving ethically and legally

[→ Page 43](#)

## STAKEHOLDER ENGAGEMENT CONTINUED

## Our suppliers

- Building resilience, quality, efficiency and adaptability across our supply chain is fundamental to our customer offering. We operate a total value supply chain approach, that considers all aspects of a supplier's contribution to generate and capture value.
- Management teams meet regularly with suppliers to review performance, explore new business opportunities, set goals and work on improvement areas. For higher value or more complex products, we partner with our suppliers on R&D, new product introduction, quality and continuous improvement projects. As required, the Board receives updates from the Chief Executive Officer.
- Our Supplier Code of Conduct requires suppliers to meet our anti-bribery and corruption and labour rights standards and to comply with quality, health and safety, and the environment standards. We use the EcoVadis supplier management platform to manage supplier relationships and support our sustainability commitments and reporting.

## Our communities

- We aim to make a positive impact on our communities and society. Our products and services support critical global industries, creating social and environmental value by making the world safer and improving environmental performance. Our global operations benefit local economies through job creation, skills development, procurement, tax revenues and by operating safely, responsibly and ethically. This fosters a sense of pride and ownership among our people.
- The ISE Committee oversee our community engagement, receiving updates on the Smiths Group Foundation which provides grants to charitable organisations nominated by our colleagues. Our teams engage with local communities through fundraising, charitable

giving and education initiatives with a strong focus on Science, Technology, Engineering and Maths (STEM). The ISE Committee was also engaged with John Crane's strategic partnership with the University of Sheffield, an important collaboration aimed at accelerating innovation and advancing clean energy solutions. The ISE Committee Chair attended the formal signing of the partnership.

- The Board receives updates on the Group's operations which impact the wider community, including the Group's Tax Strategy. This outlines our approach to the responsible management of tax affairs to enhance long-term shareholder value while contributing to public expenditure and community welfare.

## Governments and regulators

- Governments and regulators are vital to our business as they set policy and influence the markets where we operate. In the normal course of business, we build relationships with governments, policymakers and regulators across the world so that we can operate effectively and ensure our interests, and those of the industries we serve, are represented in decision-making. Engaging with various regulatory bodies was a critical part of the Group's response to the cyber incident.
- Our Government Relations team based in the UK, US, Europe and Asia leads our outreach and relationship programme with government bodies and regulators, promoting a deeper understanding of the Smiths culture, business and products.
- Updates on regulatory processes for new product approvals are provided during business performance reviews at the Executive Committee and communicated to the Board by the Chief Executive Officer.

## Our investors

- We are committed to openness and transparency with all capital providers, reporting routinely to shareholders through formal results activities. Over the past year, shareholder engagement has increased, particularly around portfolio structure and strategic actions.
- Following the announcement of our strategic update and the appointment of Julian Fagge as Chief Financial Officer, the Chairman met with key shareholders. We also issued a market announcement during the Group's management of the cyber incident to ensure transparency.
- The Chief Executive Officer and Chief Financial Officer host results presentations and Q&A sessions for current and prospective investors, engage proactively with shareholders, and attend investor conferences.
- Shareholders are invited to our AGM, where they can submit questions to the Board either in person or in advance. We also hold regular meetings and one-off events such as capital markets days to maintain active dialogue with investors.
- In FY2025, our Senior Independent Director hosted a UK Shareholder Association Event.



**Read more**  
Supply chain  
[→ Page 45](#)



# BOARD REVIEW

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

As disclosed in the FY2024 Annual Report, the Board agreed to defer its externally facilitated Board review to FY2025. This decision reflected the significant leadership and governance changes made during FY2024, including the appointment of a new Chairman and Chief Executive Officer, a revised Committee structure and changes to the Committee memberships and Chairs. The deferral allowed time for these changes to take effect, ensuring the Board review results would provide more meaningful insights. Progress against the priorities identified in the FY2024 review is set out here.

FY2024 priorities	Progress made in FY2025
<ul style="list-style-type: none"><li>– Maintain focus on Group strategy, including inorganic growth</li></ul>	<ul style="list-style-type: none"><li>– The Board approved the planned separation of Smiths Interconnect and Smiths Detection in January 2025, following strategic discussions earlier in FY2024 and FY2025. A dedicated Separation Oversight Committee was established. Strategy remains a standing item on all Board agendas.</li></ul>
<ul style="list-style-type: none"><li>– Strengthen longer-term succession planning for both Non-executive and Executive roles and focus on executive talent development</li></ul>	<ul style="list-style-type: none"><li>– The Nomination &amp; Governance Committee regularly reviewed Board composition, skills and experience. Executive succession planning received increased focus, with particular attention on internal talent development and future leadership needs. A number of executive and non-executive changes were made during FY2025 and early in FY2026.</li></ul>
<ul style="list-style-type: none"><li>– Enhance external insight into stakeholders, including customers, suppliers and the competitive landscape. Additional Board site visits and external speakers should be considered</li></ul>	<ul style="list-style-type: none"><li>– The Board received updates from external speakers, including an independent third party economist and a session about energy transition. Annual business reviews provided deeper insight into customer and supplier relationships. A planned site visit to India was cancelled at short notice due to unforeseen circumstances.</li></ul>

## FY2025 – externally facilitated Board review

In FY2025, the Board engaged Dr Tracy Long of Boardroom Review Limited (‘Boardroom Review’), to facilitate the external Board review. Boardroom Review is independent of the Group and does not provide any other services to the Group. Dr Long attended the Board’s May strategy session and held individual interviews with each Director and the Company Secretary. Dr Long presented the outcomes of the Board review to the Board in July 2025.

A discussion document was circulated to Directors in advance, which summarised Boardroom Review’s assessment of the Board’s strengths and priorities, together with challenges and recommendations for the future. Directors welcomed the opportunity to discuss Boardroom Review’s findings and recommendations with Dr Long and were pleased to note Boardroom Review’s conclusion that the Board is operating effectively.



**Read more**  
Nomination & Governance  
Committee report  
[→ Page 74](#)

## BOARD REVIEW CONTINUED

## Strengths

Boardroom Review concluded that:

- The Board has a shared perspective on the short term and continuous strategy review with Directors preparing for the future with strong domain knowledge and a shared priority of value creation
- The culture of the Board encourages openness and challenge between the parties. There is a strong relationship and healthy engagement between Executive management and Non-executive Directors
- Directors are well led and informed by the Chairman, Senior Independent Director, Committee Chairs, the CEO and CFO, with diversity of tenure, voice and experience
- There is a clear focus on executive and non-executive succession planning, including a commitment to leadership development
- The lines of defence are clear with a strong understanding of the risk factors, including technology and cyber
- Board time is carefully planned with strong support from the governance team

Directors noted that the Board strategy sessions had received positive feedback during the review.

## Challenges

Challenges identified and agreed as FY2026 priorities included:

- Continuing to develop the Group's longer-term strategy including the Board's evolving risk appetite
- Increasing visibility of the external landscape
- Managing transformational change with an ongoing focus on Board composition, executive leadership development and overall culture
- Developing the Board to work as a trusted team with increasing opportunities for informal collaboration among Board members
- Increasing site visits and workforce engagement opportunities

The Board noted the work currently underway in these areas, including Board succession planning which continues to focus on enhancing diversity and ensuring the Board possesses the right blend of skills and experience to support future strategy.

## Next steps

Following Dr Long's presentation of the outcomes of the Board effectiveness review, the Chairman committed to developing and consulting on actions for further consideration and implementation by the Board.

The Board concluded that it and its Committees continue to operate effectively and that good progress had been made across all areas identified in the previous review.

Subsequent to the review process, the Senior Independent Director met with the other Non-executive Directors without the Chairman present to consider his performance. Feedback from this session was shared with the Chairman.

# NOMINATION & GOVERNANCE COMMITTEE REPORT

## Chairman’s statement

I am pleased to present the Committee’s report for FY2025. A key focus for the Committee was reviewing the structure, size and composition of the Board and its Committees, particularly as we look ahead to the future shape of Smiths following the separation of Smiths Interconnect and Smiths Detection.

Succession planning and the development of an effective and high-performing Board continued to be a priority throughout the year. We were pleased to welcome Julian Fagge to the Board as Chief Financial Officer and Simon Pryce as a Non-executive Director. Both Directors bring significant leadership experience, including in M&A and separation activities. Further details of the appointment processes can be found on pages 75. I would also like to take this opportunity to thank Clare Scherrer, who stepped down as Chief Financial Officer in January 2025, for her significant contribution to Smiths during her time on the Board. In addition, Mark Seligman, Noel Tata and Karin Hoeing will be retiring from the Board at the conclusion of the 2025 AGM. I would like to thank them for their dedicated service and wise counsel. Upon Mark Seligman’s retirement, Dame Ann Dowling will be appointed as the Senior Independent Director and she will join the Nomination & Governance Committee.

In anticipation of Karin Hoeing’s retirement, Alister Cowan joined the Remuneration & People Committee in September, and he will succeed Karin Hoeing as Chair of that Committee and as the Board’s workforce engagement lead at the conclusion of the AGM. At that time Alister will also join the Nomination & Governance Committee. Pam Cheng will join the Audit & Risk Committee at the conclusion of the AGM.

The Board believes that diversity is not just a regulatory requirement, it is a cornerstone of good governance and a driver of better decision-making. Our commitment to diversity is embedded in our Board Diversity Policy and underpinned by our Values. Following the changes outlined above, we acknowledge that we will no longer meet the gender diversity targets set out in the UK Listing Rules or our own Diversity Policy. However, this does not reflect a shift in our priorities. Board balance remains a critical focus for us. As such, we will commence a search for a new Non-executive Director in FY2026. The Committee and the Board remain resolute in our ambition to build a Board that reflects the breadth of perspectives and experiences across our global business.

During the year we oversaw the continued development of senior management succession plans and the

Group’s talent pipeline. We endorsed the internal appointment of Ruben Alvarez as President of John Crane and Vera Parker as President of Smiths Interconnect, both of which demonstrate our strong focus on developing internal talent. We also supported the expansion of Kini Pathmanathan’s role to include Chief People Officer responsibilities, in addition to her existing remit as Sustainability & Excellence Officer, further aligning these important functions.

The Committee also undertook a review of the Board’s governance framework, recommending several changes. This included the retirement of the Innovation, Sustainability & Excellence (ISE) Committee, with its responsibilities being integrated into the Board and relevant Committees. We also recommended the establishment of the Separation Oversight Committee (SOC), which provides focused governance and oversight of the Group’s separation activities. In addition, the Committee has begun to consider the governance arrangements that may be required for Smiths Detection, should a demerger of that business proceed.

More information about our activities can be found on the following pages. I would like to thank my fellow Committee members for their continued commitment and contributions throughout the year.

**Steve Williams**  
Chairman of the Nomination & Governance Committee

## Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 65 to 67. The Chief Executive Officer is normally invited to attend Committee meetings. The Company Secretary acts as secretary 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 necessary.

## Committee performance review

In FY2025, the performance of the Committee was considered as part of the wider Board review process described on page 72. Overall, it was confirmed that the Committee continues to operate effectively.



**Steve Williams**  
Chairman of the Nomination & Governance Committee



Committee membership
Steve Williams
Karin Hoeing
Richard Howes
Mark Seligman
Noel Tata

- Top Committee activities this year**
- Board succession planning, including the appointment of a new Chief Financial Officer and a Non-executive Director
  - Review of the Board’s governance framework
  - Oversight of the governance preparatory work for a demerged Smiths Detection



## NOMINATION &amp; GOVERNANCE COMMITTEE REPORT CONTINUED

## Selection and appointment of a new Chief Financial Officer

The Committee oversaw the selection and appointment of Julian Fagge, following the retirement of Clare Scherrer. This appointment formed part of the Board's ongoing commitment to robust succession planning and leadership continuity.

### Identify

The Board has a strong executive succession planning process in place which is regularly reviewed by the Board and takes into account diversity in all its forms. As part of this process, the senior leadership team had been actively developed to ensure a strong internal pipeline of potential successors for key executive roles, including the Chief Financial Officer. To ensure a comprehensive and objective process, the Committee engaged two independent executive search firms, Egon Zehnder and Russell Reynolds Associates (Russell Reynolds), to benchmark internal candidates against a diverse pool of external talent. These firms have no other connection to the Group beyond their role in supporting senior appointments. Both firms are

signatories to the Enhanced Code of Conduct for Executive Search Firms, which promotes best practice in Board appointments.

### Select

Following a rigorous assessment process, the Committee considered Julian Fagge to be the most suitable candidate for the role. Julian brings broad financial, strategic and commercial expertise, having served as Group Financial Controller and Group Strategy Director, as well as successfully leading both the Flex-Tek and Smiths Interconnect businesses. His appointment ensured a smooth transition and continuity of leadership at an important time for the Group.

### Appoint

The Committee recommended Julian's appointment to the Board, which was subsequently approved. His appointment as Chief Financial Officer and as an Executive Director took effect on 1 February 2025. Julian will stand for election by shareholders at the 2025 AGM.

### Succession and internal considerations

Julian's transition from President of Smiths Interconnect created further opportunities for internal progression. Vera Parker, formerly Chief People Officer, was appointed as President of Smiths Interconnect, and all subsequent vacancies were filled internally. This reflects the strength of Smiths talent pipeline and the effectiveness of its succession planning processes.

### Induction

A tailored induction programme was implemented immediately following Julian's appointment. While Julian had extensive knowledge of the Group and its markets, the programme focused on the responsibilities of a UK listed company director, including briefings with corporate advisers, investors and key stakeholders. In addition, he held one-to-one meetings with each Non-executive Director and visited several of the Group's operational sites.

## Non-executive succession

As part of the Committee's ongoing succession planning, the Chairman led the search for a new Non-executive Director, supported by Russell Reynolds.

The Board regularly reviews its composition to ensure it has the right balance of skills, experience and diversity to support the delivery of the Group's strategy. A role profile was developed for a new Non-executive Director to reflect the evolving needs of the business. Russell Reynolds provided a longlist of diverse, high-calibre candidates, from which a shortlist was selected for interview.

Members of the Board interviewed shortlisted candidates and, following a thorough evaluation of their experience, capabilities and alignment with the role

profile, the Committee unanimously recommended the appointment of Simon Pryce. Simon brings extensive experience in international business leadership, M&A and transformation, which will complement the existing skills and experience on the Board. These skills were a particular consideration as Mark Seligman and Noel Tata approached their nine year tenure.

Prior to confirming the appointment, the Board reviewed Simon's external commitments and was satisfied that there were no conflicts of interest and that he would have sufficient time to discharge his responsibilities as a Director effectively.

Simon's appointment as a Non-executive Director took effect in FY2025. A comprehensive and tailored induction programme was developed to support his transition onto the Board. This included meetings with

senior leaders across the Group, the external auditor, and planned visits to key operational sites, ensuring Simon gained a deep understanding of the business, its culture and its stakeholders.

In early FY2026, the Committee considered the composition of the Board and its Committees and a number of changes were announced in August 2025. These included the following changes to be effective at the conclusion of the 2025 AGM. Dame Ann Dowling will succeed Mark Seligman as Senior Independent Director, Alister Cowan will succeed Karin Hoeing as Remuneration & People Committee Chair, and Pam Cheng will join the Audit & Risk Committee. Both Dame Ann Dowling and Alister Cowan will join the Nomination & Governance Committee.



### Read more

Board biographies

[→ Page 65](#)

## NOMINATION &amp; GOVERNANCE COMMITTEE REPORT CONTINUED

## Governance

The Committee is responsible for keeping the Board's governance framework under review to ensure it remains effective, fit for purpose, and aligned with evolving best practice for UK-listed companies.

The Committee reviews the structure and remit of the Board Committees, assessing the alignment of our governance practices with the UK Corporate Governance Code, and considering emerging trends and regulatory developments.

In March, the Committee recommended the approval of the Terms of Reference for the newly constituted Separation Oversight Committee (SOC) to the Board. The SOC had been established to review and recommend to the Board the method, terms and timing of the separations of Smiths Interconnect and Smiths Detection, along with the use of any proceeds. The Committee also recommended the membership of the SOC to the Board, to ensure it was appropriately constituted with relevant skills and experience. In addition, after consultation with the ISE Committee Chair, the Committee recommended to the Board that the ISE Committee be retired. This was approved and will take effect from the conclusion of the 2025 AGM.

Looking ahead, the Committee remains committed to ensuring the Board's governance arrangements continue to evolve in line with the Group's strategic priorities. In particular, the governance requirements for Smiths post separation, and for Smiths Detection, in the event of a demerger, will remain a key area of focus in FY2026. The Committee will also continue to monitor developments in corporate governance, regulation and investor expectations to ensure the Board remains well positioned to meet its responsibilities.

## Induction

Each of our Directors undergoes a comprehensive induction programme upon joining the Board. These programmes are designed to ensure all Directors are equipped to contribute meaningfully to Board discussions and decision-making from the outset. This programme is tailored to reflect each Director's background, experience and knowledge, and provides essential insights into the Group's strategy, operations, markets, and key stakeholders.

During the year, individual induction programmes were prepared for Julian Fagge and Simon Pryce. These included site visits to key operations, meetings with senior leaders across the business, and briefings with the Group's external advisers.

## Information and training

To function effectively, our Directors must have access to accurate, timely, and high-quality information. The Company Secretary and his team support the Chairman and Chief Executive Officer in maintaining efficient information flows, ensuring that Directors receive all relevant materials necessary to fulfil their responsibilities. To support continuous improvement, employees responsible for preparing Board and Committee papers attend bi-annual workshops on effective paper writing. These sessions are designed to enhance the clarity and quality of materials presented to the Board.

Directors are provided with regular opportunities to refresh and deepen their knowledge. During the year the Board received briefings on energy transition and the current macro-economic environment. Directors also received updates from the businesses and functional leaders, as well as external advisers, to ensure they remain informed of key business priorities and external developments. Individual development needs are reviewed and discussed during the annual performance evaluation process.

## Independence and objectivity

The Committee is responsible for assessing the independence of the Non-executive Directors in line with the Code. In July 2025, the Committee undertook its annual review and concluded that all Non-executive Directors continued to demonstrate independence of judgement and character.

Mark Seligman, who joined the Board in May 2016, has served for more than nine years. Following a rigorous review, the Board concluded that Mark continued to provide robust challenge and independent oversight. Similarly, the continued independence of Dame Ann Dowling and Noel Tata, both of whom have served for more than six years, was reviewed and confirmed.

## Director election and re-election

Each year the Directors are subject to election or re-election by shareholders at the AGM. The Chairman, on behalf of the Board, has confirmed that each Non-executive Director standing for election or re-election at this year's AGM continues to be an effective member of the Board and has demonstrated the necessary commitment to the role. For more information about the expected time commitment of our Directors, see page 68. On behalf of the Board, the Senior Independent Director has confirmed that the Chairman continues to be effective and supports his re-election to the Board at the AGM. The rules regarding the appointment and replacement of Directors are determined by our Articles of Association and the Act. The Articles of Association can be found on our website and can only be amended by a special resolution of shareholders.

## NOMINATION &amp; GOVERNANCE COMMITTEE REPORT CONTINUED

## Conflicts of interest

All Directors must avoid situations where they have a direct or indirect interest that conflicts, or may possibly conflict, with the best interests of the Group. In accordance with the Articles of Association and the Companies Act 2006, the Board has the authority to authorise potential conflicts. Board approval must be granted before a Director accepts a new external appointment, whether it amounts to a conflict or not. The Company Secretary maintains a Register of Conflicts which is reviewed by the Directors at least twice a year, and the Board retains the power to vary or terminate any authorisation previously provided.

## Diversity

Diversity of thought and background is essential and will remain one of the key criteria by which candidates are selected for the Board, for individual Committee membership, and the pipeline for senior leadership positions.

The Group maintains a diverse Board and management team and acknowledges the recommendations in the FTSE Women Leaders Review on gender diversity and the Parker Review on ethnic diversity. In addition, as a UK listed FTSE 100 company, we aim to meet the provisions of the Code and UK Listing Rules as they relate to diversity, and these are reflected in the Board's own Diversity Policy.

Following the retirement of Clare Scherrer in January 2025 and the appointment of two male Directors during the year, the Board no longer meets its own gender diversity target or the UK Listing Rule requirement that at least 40% of the Board be women. As at 31 July 2025, women represented 27% of the Board. This will reduce to 25% following the 2025 AGM, reflecting the planned retirements of Mark Seligman, Noel Tata and Karin Hoeing, at which point the Board will comprise eight members, two of whom will be female. The Committee recognises the importance of diversity for the Board and its Committees in all its forms, including gender, and remains mindful of both regulatory expectations and those of our shareholders.

The Committee intends to conduct a Non-executive Director appointment process during FY2026. In doing so, the Committee will consider diversity in its broadest sense, including gender, ethnicity, age, disability, sexual orientation, socio-economic background, and cognitive and personal strengths and skills. Appointments are made on merit, following a formal, rigorous and transparent process, and with due regard to the balance of skills, experience and independence required to support the Group's strategy.

The Committee only engages executive search firms that are accredited under the Enhanced Code of Conduct for Executive Search Firms. This ensures that women and candidates from ethnic minority groups are included on shortlists for Board appointments.

Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), is set out on page 59. As at 31 July 2025, the Board did not meet all of its own diversity targets or the targets set out in Listing Rule 6.6.6R(9)(a). The unmet targets are the requirement that at least 40% of the Board members be women, and that at least one of the senior positions on its Board be held by a woman. Dame Ann Dowling will be appointed as Senior Independent Director at the conclusion of the 2025 AGM.

## Diversity performance against targets

### Gender – Board

#### Policy target

At least 40% of the Board to be female



#### 31 July 2025

● Female **27%** ● Male **73%**

### 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 2025

● Female **None** ● Male **4**

### Ethnicity

#### Policy target

At least one Director from an ethnic minority background



#### 31 July 2025

● Ethnic minority **2** ● White **9**



Diversity information for the Group, including the disclosure required by the UK Corporate Governance Code, can be found on page 58.

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 the year ended 31 July 2025. This has been a year of continued progress, against a backdrop of geopolitical complexity and strategically significant developments for the Group.

In March, we were pleased to welcome Simon Pryce to the Committee. Simon brings deep experience from global industrial businesses and, as a chartered accountant, further strengthens the Committee's financial and governance expertise.

The Committee's agenda has been wide-ranging and demanding. We oversaw the Group's response to a cyber security incident, supported strategic actions including preparations for the separation of Smiths Interconnect and Smiths Detection, and provided oversight of a review of a Flex-Tek subsidiary balance sheet overstatement. In response to the cyber security incident, we reviewed management's actions with a particular focus on IT General Controls and the financial close process. We challenged the remediation and were pleased to note that the incident did not compromise the integrity of the month-end reconciliation or management review controls ahead of the half-year FY2025 reporting.

A key judgement this year related to the classification of Smiths Interconnect and Smiths Detection under IFRS 5. We challenged management's assessment and agreed that Smiths Interconnect met the criteria for classification as held-for-sale and a discontinued operation. While the process to sell or demerge Smiths Detection remains on track, the Committee concurred that the IFRS 5 criteria for classification as held-for-sale, held-for-distribution or discontinued operations have not yet been satisfied.

We continued to oversee the effectiveness of material controls across the Group, including progress on the Internal Controls Enhancement programme. The review at Flex-Tek, as noted above, has reinforced the importance of this work. The Committee received regular updates and business deep-dives. While further progress is required, the Committee is encouraged by the momentum and the broader operational benefits emerging from the programme. We also reviewed the Group's risk and assurance mapping exercise, which is helping to clarify the scope and maturity of key controls. In parallel, we conducted a review of the Group's emerging and principal risks, considering factors such as geopolitical tensions, cyber threats, and talent retention challenges. A new principal risk, Strategic transformation, has been introduced to address the challenges associated with the sale of Smiths Interconnect, the proposed sale or demerger of Smiths Detection, and the strategic repositioning of the remaining Group.

Our collaboration with the Innovation, Sustainability & Excellence (ISE) Committee continued, particularly in relation to ESG reporting. We held a joint session to consider the implications of upcoming ESG regulatory requirements and reviewed the Group's approach to ESG data quality and assurance. This included the limited assurance provided by KPMG over greenhouse gas emissions and energy efficiency data.

Ethical conduct and legal compliance remain central to our culture. This year, we undertook a detailed review of the Group's legal and compliance principal risk, with a particular focus on international trade compliance. This included oversight of export controls, sanctions, customs compliance and anti-boycott laws. We also reviewed the Smiths Modern Slavery and Human Trafficking Statement and received an update on the adoption of EcoVadis to assess our high-risk suppliers.

Finally, the Committee continued to monitor the integrity of the Group's financial reporting and the effectiveness of the external audit. We remain satisfied with the quality of the reporting process and the robustness of the controls that support it.

I would like to thank my fellow Committee members and the Deputy Company Secretary for their diligence, insight and commitment throughout the year. I am also pleased to welcome Pam Cheng to the Committee later this year. The Committee remains committed to supporting the Board in maintaining the highest standards of governance, risk management and internal control.

**Richard Howes**

Chair of the Audit & Risk Committee



**Richard Howes**

Chair of the Audit & Risk Committee



## Committee membership

Richard Howes

Alister Cowan

Simon Pryce

Mark Seligman

## Top Committee activities this year

- Monitored the integrity of the Group's financial reporting and the work of the auditor
- Monitored the Group's control environment
- Assessed the Group's principal risks

## AUDIT &amp; RISK COMMITTEE REPORT CONTINUED

## Committee membership and meetings

The Audit & Risk Committee is comprised solely of independent Non-executive Directors, all of whom bring recent and relevant financial, accounting, and sector-specific experience to their roles. The Board considers each member to possess the financial expertise required under the UK Corporate Governance Code. Full biographies and details of meeting attendance during the year are set out on pages 65 to 67.

To support the Committee in discharging its responsibilities effectively, the Chief Executive Officer, Chief Financial Officer, and the lead audit partner from KPMG attended all meetings at the invitation of the Committee Chair. Regular attendees also included the Group Financial Controller, Director of Internal Audit and Risk, and the Head of Ethics and Compliance. Business Presidents and Finance Directors, the Vice President Finance Excellence, and other senior executives were invited to attend as appropriate, depending on the matters under discussion. The Deputy Company Secretary acts as secretary to the Committee.

At the conclusion of each meeting, the Committee held private sessions with both the external auditor and the Director of Internal Audit and Risk, without executive management present. This practice ensures open and candid dialogue on matters of audit, risk, and control.

The Committee maintains open access for the heads of Internal Audit, and Ethics & Compliance, as well as the external auditor, who may raise concerns directly with the Committee outside of formal meetings if required.

Meetings are scheduled in line with the Group's financial reporting cycle and follow a structured annual programme of work. This enables the Committee to provide effective oversight of the Group's risk management framework and internal control systems on behalf of the Board. Following each meeting, the Committee Chair provides a formal report to the Board, ensuring transparency and alignment with the Group's broader governance arrangements.

## Committee performance review

Through the annual Board review process described on page 72, the Board has again confirmed the effectiveness of this Committee in fulfilling its responsibilities and supporting the Board in meeting its obligations.

## Committee activities

### Financial and Narrative Reporting

The Committee reviewed the Group's full-year and half-year results announcements, the Annual Report and the Viability and Going Concern Statements before recommending them to the Board for approval.

The Group maintains a framework of internal controls and risk management processes to support the integrity of its financial reporting. These arrangements are designed to provide reasonable assurance that the financial statements are prepared in accordance with applicable accounting standards. As part of this process, the Committee received confirmations from business units that the reported information presents a true and fair view of the Group's performance and that appropriate records are maintained to ensure accurate and transparent reporting. Further detail on the Group's risk management and internal control systems can be found on pages 26 to 28.

An important responsibility of the Committee is to review and challenge the most significant accounting estimates and judgements made by management. The key areas of judgement for the year are outlined overleaf. Following detailed reports and discussions with both management and KPMG, the Committee concluded that the judgements applied were appropriate and had been properly reflected in the financial statements.

## Fair, balanced and understandable

In line with the UK Corporate Governance Code, the Committee undertook a thorough review to assess whether the FY2025 Annual Report is fair, balanced and understandable. This assessment followed the same rigorous approach as in previous years and was supported by the Group's internal verification processes.

In forming its view, the Committee considered:

- Various materials on risk management and internal controls, going concern and the assessment of the Group's long-term viability;
- Accuracy, integrity and consistency of the messages conveyed in the Annual Report;
- Appropriateness of the level of detail in the narrative reporting;
- Correlation between judgements, estimation of uncertainties and issues, and the associated disclosures; and
- Explanations of the differences between statutory and headline reported results.

In addition, as part of its routine review programme, the Financial Reporting Council (FRC) reviewed Smiths Group plc's FY2024 Annual Report. The FRC did not identify any material issues, which was welcomed by the Committee. Minor disclosure enhancements recommended by the FRC have been reflected in the FY2025 Annual Report.

Having taken into account the factors above, together with the views of KPMG, the Committee recommended to the Board, and the Board subsequently confirmed, that the FY2025 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

**Read more**

Board review

[→ Page 72](#)

Managing our risks

[→ Page 26](#)

## AUDIT &amp; RISK COMMITTEE REPORT CONTINUED

**Significant financial reporting matters**

The key areas of judgement for FY2025 are as follows:

**Areas of focus****Actions taken****Provisions for liabilities and charges**

The Group holds significant material provisions for John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST product claims.

The Committee considered the appropriateness of the provisions for the John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST claims. They specifically evaluated the treatment of potential liabilities, adjustments to assumptions used in calculating the provisions, sensitivity to changes in these assumptions, and advice from the Group's specialist external advisers.

The Committee agreed with the judgement regarding the John Crane, Inc. asbestos litigation and confirmed that the ten-year period for John Crane, Inc. asbestos litigation remained appropriate. Despite the large number of claims filed against John Crane, Inc. and other defendants every year, the evolving nature of the US legal system and other factors affecting the asbestos legal environment make it difficult to reliably estimate costs beyond 10 years. In both cases, the assumptions were deemed to fairly reflect the position. See note 23 of the financial statements for more details.

**Impairment – intangible assets (including goodwill)**

The Group's consolidated balance sheet includes £1.6bn of intangible assets. The largest elements of this balance relate to goodwill (£1.3bn), acquired customer relationships (£0.1bn) and capitalised development costs (£0.1bn).

The impairment assessment of goodwill is a key area of management judgement, particularly in relation to Smiths Detection, the Group's only cash-generating unit (CGU) where impairment headroom is limited. The recoverable amount is determined using a value in use calculation, which is inherently subjective due to the uncertainty involved in forecasting and discounting future cash flows.

In the prior year, Smiths Detection was the only CGU with limited impairment headroom. However, Smiths Detection's FY2025 performance has been very strong, with headline earnings significantly outperforming the FY2024 impairment model. The FY2025 base case impairment model shows headroom of £499m, up from £254m in the previous year. This increase in impairment headroom has been driven by an improved base from the FY2025 performance, following strong organic revenue growth and contract wins experienced in FY2025.

The Committee reviewed the Group's impairment testing results and challenged the assumptions used within the CGU's impairment testing model, including the voluntary downside scenarios used to assess the business's sensitivity to key assumption changes. The Committee noted the sensitivity of Smiths Detection's CGU impairment headroom to variations in the discount rate and reviewed the methodology for calculating the discount rate used in the impairment testing. See note 11 of the financial statements for more details.

**Post-retirement benefits**

The Group has material pension plan assets and liabilities and there is a high degree of estimation uncertainty.

The Committee reviewed and agreed the methods, assumptions, and benchmarks used by the actuaries to calculate the position of the UK and US schemes as of 31 July 2025. The IAS 19 valuation of post-retirement benefit obligations at that date showed a net accounting surplus of £32m, representing a £3m increase during FY2025.

The Committee noted that the movement in valuation during the year was mainly due to £3m of actuarial losses, principally arising from the actual loss on plan assets lower than the interest income as a result of the asset returns underperforming the discount rate, therefore leading to a loss.



## AUDIT &amp; RISK COMMITTEE REPORT CONTINUED

## Areas of focus

## Actions taken

**Flex-Tek subsidiary balance sheet review**

Review of investigations into the balance sheet overstatement at a stand-alone US site in the industrial business of Flex-Tek and the related accounting treatment.

The Committee has overseen and closely monitored an investigation into the balance sheet overstatement, which was undertaken in the fourth quarter of FY2025 and during the year end close of the financial statements. The Committee received investigation reports from Internal Audit, Ethics & Compliance, and a legal review from external counsel into the matter. In addition, at the Committee's request, KPMG increased its scope for the year end audit. The Committee reviewed management's lessons learned and proposed response which included changes to internal controls processes and plans for monitoring under the Group Internal Audit and Internal Controls Enhancement programme in the next financial year. The Committee agreed that, whilst significant in the context of Flex-Tek, the impact in prior years was not material at the Group level and did not require a restatement of the Group's prior year accounts. It also challenged and reviewed the proposed current year impact of the adjustment of £8m recorded within headline profit and the prior year impact adjustment of £15m treated as a non-headline charge under the Group's Accounting Policy for non-headline items.

At the August 2025 Committee meeting, the Committee concurred with management's final assessments on the matter and the proposed external disclosures on this topic in the Annual Report. See note 3 of the financial statements.

**Discontinued operation and businesses held for sale**

Following the Group's announcement on 31 January 2025 regarding the planned strategic actions to separate the Smiths Interconnect and Smiths Detection businesses, the financial reporting presentation of these two businesses is a significant judgement for the preparation of the FY2025 annual report and accounts.

Throughout the second half of FY2025, the Committee has been closely monitoring and challenging management on the progress of the projects to separate Smiths Interconnect and Smiths Detection. The Committee recognises that a key IFRS 5 requirement for classifying a business as held for sale is that the sale must be highly probable, with the expectation that it will be completed within one year from the date of classification.

At the July 2025 Committee meeting, the Committee concurred with management's assessment that Smiths Interconnect met the IFRS 5 criteria for classification as a held-for-sale business and a discontinued operation. These criteria have been met because the project to sell the Smiths Interconnect businesses was sufficiently advanced, with active programmes initiated and current project timelines anticipating completion before 31 July 2026. The Committee concurred with the treatment of the impairment recorded on investment in its US sub-systems unit (Smiths Interconnect Inc) following an agreement to sell the business separately in advance of a disposal of the rest of Smiths Interconnect.

The disclosure implications of this reclassification for the Group's primary statements are as follows:

- The consolidated income statement will be restated to show Smiths Interconnect's net results separately in a single 'profit from discontinued operation' row.
- The July 2025 consolidated balance sheet will present Smiths Interconnect's total assets in a single 'assets held for sale' row and Smiths Interconnect's gross liabilities in a separate 'liabilities held for sale' disclosure note to the primary statements.

The July 2025 Committee meeting also concurred with management's assessment that, although the dual-track project workstreams to separate Smiths Detection were on schedule, the IFRS 5 criteria for held-for-sale, held-for-distribution, or discontinued operations disclosure had not yet been satisfied. As of 31 July 2025, the projects did not meet the 'highly probable' criteria required for sale or distribution within the next 12 months.

## AUDIT &amp; RISK COMMITTEE REPORT CONTINUED

## Areas of focus

## Actions taken

## Financial and IT control impact of January 2025 cyber incident

The cyber security incident at the end of January 2025 required taking the Group's core IT systems offline for several days at the start of the FY2025 half-year close process. As the systems came back online, our finance teams experienced varied connectivity and systems access issues. These issues impacted the standard close processes, financial controls workflows, and reporting timelines.

The Committee reviewed management's response to the cyber security incident, focusing on the IT General Controls (ITGC) environment and the impact on the Group's financial close process and management review controls. They considered the management presentation on the ITGC actions taken to mitigate future cyber risks and challenged management on the measures implemented to ensure that month-end reconciliation and management review controls were completed ahead of the half-year reporting.

## Presentation of headline profits and organic growth

The Group presents headline profits and organic growth measures which require adjustment to IFRS data. This is a material judgement and requires a consistent application of the Group's accounting policy on this topic.

The Committee evaluated the policy, presentation, and judgements related to the Group's performance, with a particular focus on distinguishing between headline and non-headline items. This involved determining which items related to the Group's ongoing trading activities and which should be classified as non-headline and for FY2025 included the expenses related to separation exercises and the Acceleration Programme.

The Committee challenged management on the value and nature of items recognised as non-headline and reviewed the level of disclosure for these items in FY2025. In addition, the Committee considered the judgements regarding items that should be reflected or adjusted in organic performance. For more details, see note 3 of the financial statements.

## External audit

The Committee places great importance on the quality, effectiveness and independence of the external audit process. 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.

To comply with the requirements of the Statutory Audit Services Order 2014, which mandates a competitive tender for statutory audit services at least every ten years, the Committee has agreed to conduct an audit tender in 2027, to coincide with the planned rotation of the audit partner. This will ensure that a tender is completed well in advance of the 2029 deadline.

The Committee confirms that the Company complied with all relevant provisions of the Statutory Audit Services Order throughout the year under review and as at the date of this report.

## External audit plan and fees

The Committee reviewed and approved KPMG's audit plan and fee proposal for the FY2025 audit. It continued to monitor the delivery of the audit throughout the year, ensuring alignment with the agreed scope and timelines.

## Independence and objectivity

The Committee is responsible for overseeing the Group's policies on external audit, which are designed to safeguard the independence and objectivity of the external auditor. These policies, reviewed annually, govern the provision of non-audit services and the employment of former audit firm employees.

As part of its oversight, the Committee received written confirmation from KPMG affirming its independence and objectivity in accordance with applicable professional standards. The Committee also assessed the performance of the audit engagement partner and the audit team more broadly.

## Non-audit services

Notwithstanding developing practice being adopted by audit firms not to provide non-audit services to audit clients, the Committee recognises that certain permissible non-audit services can be completed more efficiently by, and be purchased more cost-effectively from, the incumbent auditor due to the audit firm's existing knowledge of the Group and its systems. Under the policy approved by the Committee, it has delegated its responsibility for authorising the purchase of non-audit services from the external auditor to the Chair of the Committee and/or the Chief Financial Officer within specific limits.



**Read more**  
Independent Auditor's  
report

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**AUDIT & RISK COMMITTEE REPORT CONTINUED**

In FY2025, non-audit fees represented 10% of audit fees (FY2024: 8%), and primarily related to audit-related assurance services, including the review of the FY2025 half-year results, limited assurance over the Group's Scope 1–3 GHG emissions and energy metrics, and services related to the reestablishment of the Euro Medium Term Note Programme. The Group's policy limits non-audit fees to no more than 20% of the average audit fees over the previous three years, except in exceptional circumstances. The Committee confirms that all non-audit work was appropriately assessed and authorised in line with this policy.

**Effectiveness of the external audit**

The Committee continuously evaluates the effectiveness of the external audit, considering factors such as:

- The robustness of audit processes, including the FY2024 audit conclusion, FY2025 interim review, and early-stage delivery of the FY2025 audit;
- The quality of audit work, including the handling of key accounting and audit judgements;
- The skills, experience and professional scepticism of the audit team;
- The quality and insight of formal reporting, including management's responses to audit findings;
- Feedback from prior effectiveness reviews and the extent to which these were addressed; and
- The auditor's understanding of the Group's business, risks and controls.

Following its assessment of the audit process and ongoing engagement with KPMG, the Committee was satisfied that the external audit remained effective. Accordingly, it recommended to the Board that the reappointment of KPMG as the Company's auditor be proposed to shareholders at the 2025 AGM. A further review of the FY2025 audit will be undertaken ahead of the FY2026 half-year results.

**Risk management and internal control**

The Board is responsible for ensuring that effective risk management and internal control systems are in place across the Group. These systems are designed to identify, assess, manage and monitor the risks that could impact the achievement of the Group's strategic objectives. The Executive Committee is accountable for designing and implementing these systems and for ensuring they are embedded throughout the organisation.

Throughout the year, the Executive Committee and risk owners reviewed the Group's principal risks, assessed the effectiveness of existing controls, evaluated the resulting residual risks, and identified any further actions required. These activities have supported the maintenance of the Group's risk management and internal control systems, which provide reasonable, though not absolute, assurance against material misstatement or loss. Further detail on the Group's approach to risk management and internal controls is provided on pages 26 to 28.

**Effectiveness of the Group's risk management and internal controls**

On behalf of the Board, the Committee monitored, reviewed and assessed the effectiveness of the Group's risk management and internal control systems throughout FY2025, with support from the Internal Audit function. This assessment was conducted in the context of the Group's strategy, business model and risk appetite.

To support this work, the Committee received deep-dive risk reports from business leadership teams and principal risk owners on a rotational basis, ensuring comprehensive coverage of all principal risks over time. Topics reviewed by the businesses this year included cyber security risk, supply chain risk and geopolitical risk. These sessions enabled the Committee to evaluate the effectiveness of controls and gain insight into the evolving risk landscape.

The Committee also received a deep dive on the Group's international trade compliance programme, and considered thematic risk areas, which provided further insight into the Group's risk culture, assurance processes and emerging risk trends.

No material failings or weaknesses in the risk management or internal control systems were identified during the year.

The Committee received regular updates on the Internal Controls Enhancement programme, which is focused on improving and standardising finance processes across the Group. This work is strengthening the Group's financial control framework and positioning the Group well for the changes to the UK Corporate Governance Code relating to internal controls over financial reporting.

**Principal risks update**

The Committee carried out a robust assessment of the Group's emerging and principal risks, including those that could threaten its business model, future performance, solvency or liquidity. As part of this review, the Group reassessed its principal risks to ensure they remain aligned with the evolving external environment. Key developments considered included rising geopolitical tensions, increased cyber threat activity, and challenges around talent retention. These changes have been reflected in the Group's risk register to enhance transparency and ensure alignment with current operating conditions.

A new principal risk, Strategic transformation, was introduced to reflect the significant change underway across the Group. This risk captures the potential operational, financial, legal and reputational challenges associated with the sale of Smiths Interconnect, the proposed sale or demerger of Smiths Detection, and the strategic repositioning of the remaining Group as a focused, innovation-led industrial engineering company.

A description of the principal risks facing the Group and how these were reviewed to assess the Group's viability can be found on pages 60 to 62.

**Read more**

Managing our risks

[→ Page 26](#)

Going Concern and Viability Statement

[→ Page 60](#)

## AUDIT &amp; RISK COMMITTEE REPORT CONTINUED

## Internal Audit

The Internal Audit function operates independently of the business and has no operational management responsibilities. This independence underpins the integrity and objectivity of its work, including the development of the annual Internal Audit Plan, which is approved by the Committee. The authority of the Internal Audit function is derived from the Committee, and the Director of Internal Audit and Risk is accountable to the Board through the Committee Chair, while reporting administratively to the Chief Financial Officer.

In line with its charter, approved by the Committee, Internal Audit has:

- Full and unrestricted access to all records, property and personnel;
- Independent access to the Committee Chair and members of the Committee;
- The right to request meetings with the Committee; and
- The authority and obligation to report significant findings or other concerns to the Committee.

During the year, the Committee received regular progress updates on the delivery of the FY2025 Internal Audit Plan, including high-priority control enhancement opportunities and associated management action plans. The Committee also reviewed and approved the FY2026 Internal Audit Plan, including its scope, approach, coverage, resource allocation and budget.

The Committee monitors the performance of Internal Audit through regular engagement with the Director of Internal Audit and Risk, review of audit outputs, and tracking of key performance indicators reported at each meeting. In FY2025, the Committee conducted an effectiveness review of the Internal Audit function, led by the Deputy Company Secretary. The review concluded that Internal Audit continues to perform strongly. Opportunities for further enhancement were identified, including exploring opportunities to enhance communication of the audit plan to ensure it reaches a broader audience more regularly. This would be addressed in the FY2026 Plan.

## Ethics and compliance

The Committee maintained oversight of the Group's Ethics and Compliance programme throughout the year, including the review and approval of the annual work plan and monitoring of investigations into potential breaches of the Code of Business Ethics. This included matters raised through the Group's ethics reporting channels, notably the Group's Speak Out hotline, which enables employees and other stakeholders to report concerns, anonymously if they wish, via multiple channels operated by an independent third party across the Group's global operations.

The Committee also received updates on the Group's legal and compliance principal risks, with a particular focus on international trade compliance covering key areas such as export controls, financial and trade sanctions, customs compliance, and anti-boycott laws. The Committee also reviewed the Smiths Modern Slavery and Human Trafficking Statement and received an update on the adoption of EcoVadis to assess high-risk suppliers.

During the year, the Committee oversaw an investigation into a balance sheet overstatement at a stand-alone US site within the Flex-Tek industrial business. In relation to this, the Committee received investigation reports from Internal Audit, Ethics & Compliance, and a legal review from external counsel into the matter. Further details are provided on page 81. No investigations during the year resulted in a material financial loss to the Group or had a significant impact on customers or suppliers.

The Committee received regular reports on the volume and nature of ethics cases by region, the proportion of anonymous versus attributed reports, and the ratio of substantiated to unsubstantiated cases. The anonymous reporting metric is used as an indicator of trust in the Group's reporting systems.

Based on these insights, the Committee concluded that the Group's arrangements for raising and investigating concerns, confidentially, anonymously, and without fear of retaliation, remain appropriate and effective.

More information on the Group's approach to behaving ethically and legally can be found on page 43.

## Assessment of internal control and risk management arrangements

The Committee was satisfied that the Group's processes governing financial reporting and controls, its culture, ethical standards and its relationships with stakeholders continued to be effective.

The Committee was also satisfied with the appropriateness and adequacy of the Group's risk management arrangements, internal control framework and three lines of defence model.

**Read more**

Behaving ethically and legally

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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 2025. I am delighted that our Directors’ Remuneration Report and Policy was supported by 95.2% and 92.3% of shareholders, respectively, at the November 2024 AGM and I am grateful to the shareholders and proxy agencies that provided valuable feedback and constructive engagement on the proposals.

A key role of the Committee is to provide oversight of the implementation of the Group’s 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 announced during the financial year.

## Business context and leadership changes

On 31 January 2025, Smiths announced several material strategic actions to unlock significant value and enhance returns to shareholders, including the planned separation of Smiths Interconnect, followed by the separation of Smiths Detection, either by sale or demerger. The Board believes that the attraction of Smiths is compelling and, in focusing on our high performing John Crane and Flex-Tek businesses, we will deliver sustainable growth, higher margins, returns and earnings growth, as reflected in our enhanced medium-term financial targets.

In January 2025, we announced that Clare Scherrer, former Group Chief Financial Officer (CFO), had informed the Board of her decision to retire from Smiths. Clare remained as CFO until 31 January 2025, continuing to support a smooth and orderly handover until her departure on 30 April 2025. Reflecting the Board’s robust succession planning process, Julian Fagge was appointed as CFO with effect from 1 February 2025. Julian is an exceptional and highly regarded leader, with broad financial, strategic and commercial experience and a strong track record in the execution of complex M&A activity. Together, our CEO Roland and CFO Julian bring an unparalleled knowledge of the company and its growth and value drivers.

Given the material nature of the strategic activity planned during FY2025 and FY2026, and mindful of the leadership changes we have experienced in the last 15 months, the Board considers it imperative to retain and incentivise our leadership team to successfully execute our strategic plans, aligning them to the delivery of significant value creation and providing stability of leadership through the critical next phase of Smiths journey.

## Key decisions during FY2025

### Appointment of CFO – Julian Fagge

Julian was appointed on a salary of £625,000, below that of his predecessor, and a pension contribution of 12% of salary, in line with the UK workforce. For FY2025, his Annual Incentive Plan (AIP) opportunity was set at 180% of salary, with one third of any earned bonus deferred into shares for three years, in line with our Remuneration Policy.

In line with our Policy, the Board awards a fixed number of shares under the Long-Term Incentive Plan (LTIP). Julian’s normal LTIP award was set at 102,500 shares on appointment. Given he was appointed part way through the financial year, an award of 21,219 shares (equivalent to c.60% of salary based on share price at grant) was granted on 8 April 2025, as a pro-rated ‘top up’ award to the LTIP grant made in respect of his prior role as President of Smiths Interconnect. Each of the elements of Julian’s remuneration are within those previously agreed for the previous CFO.

### Retirement terms for the former CFO – Clare Scherrer

Clare was paid her salary and pension contribution until her departure date on 30 April 2025. In line with the Remuneration Policy, she was treated as a ‘good leaver’ for incentive purposes, with LTIP awards pro-rated for time and subject to performance testing on the normal dates. Clare will be eligible to receive a pro-rated FY2025 AIP award in October, subject to performance criteria, and one-third of any bonus will be delivered in deferred shares. Other deferred shares will vest on their normal vesting dates. Clare is also required to maintain a post-employment shareholding of at least 33,116 shares for two years post-employment.



### Karin Hoeing

Chair of the Remuneration & People Committee



### Committee membership

Karin Hoeing

Pam Cheng

Alister Cowan

Dame Ann Dowling

Steve Williams

### Top Committee activities this year

- Approved FY2026 salary increases for the Board & Executive Committee, aligned to the wider workforce
- Considered remuneration matters for Executive Directors and the wider workforce, aligned with the company’s strategic update during the year
- Approved retirement terms for Clare Scherrer



## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

**Enhanced LTIP award – April 2025**

Taking into account the strategic update, the Committee carefully considered remuneration arrangements for the wider leadership team, including Executive Directors. Given the material actions underway (the separation of the Smiths Interconnect and Smiths Detection businesses) to unlock significant value and enhance returns for shareholders – as well as the importance of providing stability of leadership through this critical phase of Smiths journey – an enhanced LTIP award was granted, directly linked to the delivery of stretch relative total shareholder return (TSR) performance versus the FTSE 100 (excluding financial services and investment trusts) over the three financial years beginning FY2025. The award was equivalent to 50% of salary for the CEO and CFO (26,877 shares and 17,353 shares, respectively).

Threshold vesting (25% of the award) will only be delivered subject to Smiths delivering TSR performance at the 60th percentile level compared to the peer group, increasing on a straight-line basis to maximum vesting at the 90th percentile – significantly above typical market practice of threshold to maximum vesting of median (50th percentile) to upper quartile (75th percentile) performance. Therefore, delivery of 60th percentile performance would equate to an additional 12.5% of salary (or 6,719 and 4,338 shares for the CEO and CFO respectively). Full vesting of the shares would only occur in the event of 90th percentile TSR performance.

The Committee was mindful of the intention to use the overall headroom in the Policy in exceptional circumstances only. On balance, it determined that it was appropriate for the CEO and CFO to participate in the additional LTIP award alongside other senior executives, recognising the 'stretch' outperformance targets linked to superior shareholder value creation.

**AIP and LTIP outturns for FY2025**

The Committee considered outcomes under the FY2025 AIP and the FY2023 LTIP awards in the context of strong organic revenue growth, continued operating profit margin expansion, and improved headline operating cash conversion. Based on performance during the year, a bonus of 85.4% of maximum opportunity for FY2025 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 FY2023 LTIP award vested at 88.0% of maximum, reflecting performance over a three-year period aligned to the sustainable growth of the business during that time.

In determining the final outcomes, the Committee considered the Flex-Tek balance sheet overstatement as discussed on page 81, including the impact on FY2025 AIP and FY2023 LTIP outturns. Overall, the current year headline profit charge was reflected in the FY2025 AIP outturn of 85.4%. The prior years' impact, classified as a non-headline charge, resulted in a reduction in the FY2023 LTIP outturn from 91.7% to 88.0% of maximum for current Executive Directors and the former CFO. The Committee agreed that the overall impact on remuneration was fair and appropriate, and no further adjustments were required.

**Review of LTIP and AIP for FY2026**

As a Committee, we endeavour to ensure that pay is consistently aligned to business performance and this philosophy continues to underpin our decisions on pay. A comprehensive review of remuneration arrangements for FY2026, including both design and performance metrics, was carried out over the summer, incorporating feedback from several of our shareholders. During the Policy review in 2024,

we increased the headroom for the maximum AIP opportunity from 200% of salary to 250% with the broad support of shareholders. This was to ensure that the Policy has the flexibility to support the attraction and retention of Executive Directors. For FY2025 the CEO was eligible for a maximum opportunity of 230% and the incoming CFO was eligible for a maximum opportunity of 180% (200% for the outgoing CFO). Given the significant strategic update and the importance of motivating and retaining our Executive Directors through this period of extensive change and value creation for shareholders, the Committee considered it appropriate to increase the maximum AIP opportunity for both the CEO and CFO whilst remaining within the approved headroom. For FY2026 the maximum AIP opportunity is 250% for the CEO and 220% for the CFO.

We remain committed to our fixed number of shares approach to granting LTIP awards. It has been in place through two full Policy cycles and it has delivered strong alignment with the shareholder experience, with the value of awards increasing and decreasing in line with Smiths Group plc share price. The approach applies to all LTIP participants across the Group. The headroom for LTIP awards was increased to 500% in the most recently approved Policy, with the intention being to incentivise further share price growth and value creation. In line with our fixed shares approach, the CEO and CFO will receive a grant of 190,000 shares and 102,500 respectively for FY2026.

**Implementation for FY2026**

The base salaries of the Executive Directors have been increased by 3.5% effective from 1 October 2025. This is aligned with the salary increase budget across all employees in the wider UK workforce. The new annual salaries will be £1,002,100 and £646,900 for Roland and Julian respectively.

**Read more**

Implementation of Remuneration Policy in FY2025

[→ Page 88](#)

Statement of implementation of Remuneration Policy in FY2026

[→ Page 89](#)



**REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED**

Changes are proposed to the AIP measures for FY2026 which will support significant business change during the year. Operating profit margin is introduced as a key value creation driver as well as delivering absolute budgeted profit. The aggregate of profit measures is also weighted more highly. The proposed financial measures of revenue, profit margin, absolute operating profit and cash conversion are relevant for both future Smiths and separating businesses. The overall weighting of financial and non-financial metrics is proposed at 80%/20%. The 20% weighting is on non-financial strategic measures which are aligned to the company scorecard and includes a robust energy reduction metric.

Changes have been made to the design of the FY2026 LTIP to reflect that most of the performance period will relate to the future Smiths organisation following the separation of the Smiths Interconnect and Smiths Detection businesses and to include value creation measures which closely align to our strategy and targets. The key changes are to reduce the weighting on revenue, introduce a relative TSR measure, increase our focus on headline EPS, and retain cash. Greenhouse gas emission reduction will be retained in our company scorecard, but will no longer be a standalone LTIP metric. Two inflight LTIP awards will continue to be subject to GHG reduction metrics, and we are on track to meet the reduction targets that have been communicated.

### Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 65 to 67. The CEO and Chief People, Sustainability & Excellence Officer usually attend Committee meetings. Other members of senior management are invited to attend as necessary. The Company Secretary acts as secretary to the Committee.

### Committee performance review

In FY2025, the performance of the Committee was considered as part of the wider Board review process described on page 72. 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 FY2025. This is my last statement as Chair of the Committee before I retire at the 2025 AGM and I would like to thank the numerous investors, other stakeholders, and my fellow Committee members who have helped inform our remuneration decisions since I took over the role, and particularly last year when we reviewed our Directors' Remuneration Policy.

In the coming year, the Committee will continue to monitor the Remuneration Policy and its effectiveness in supporting the execution of our strategy and delivery of value creation potential for Smiths, as well as the retention and motivation of our highly talented executive leadership team. In the event that any changes are proposed, the Committee will engage with institutional shareholders and proxy voting agencies as appropriate.

Alister Cowan will succeed me as Chair of the Committee with effect from the 2025 AGM so please join me in welcoming him and I trust that we will have your support when voting at the AGM.

#### Karin Hoeing

Chair of the Remuneration & People Committee

## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

## Implementation of Remuneration Policy in FY2025

## Base salary

Roland Carter received:

**£963,500**

Julian Fagge received:

**£312,500**

## 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:

**85.4%**

Julian Fagge:

**85.4%**

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)	
Revenue (30%)	£3,042m	<div><div></div></div>	<b>£3,317m</b>	£3,363m	85.5%
Operating profit (30%)	£506m	<div><div></div></div>	<b>£575m</b>	£591m	81.7%
Headline operating cash conversion (20%)					
H1 (10%)	70%	<div><div></div></div>	<b>92%</b>	90%	100%
FY (10%)	80%	<div><div></div></div>	<b>96%</b>	100%	78%
Energy reduction (10%)	-1.0%	<div><div></div></div>	<b>-3.0%</b>	-3.0%	100%
Strategic business measure	n/a	<div><div></div></div>	<b>7.5%</b>	n/a	75%

## Long-Term Incentive Plan (LTIP)

Total vesting (% of maximum):

Roland Carter:

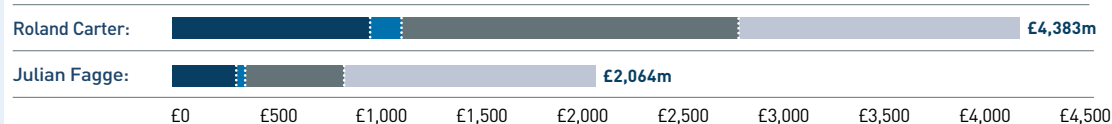
**88.0%**

Julian Fagge:

**88.0%**

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Revenue growth (30%)	3.5%	<div><div></div></div> 9.4%	6.5%	100.0%
Headline EPS growth after tax (20%)	6.0%	<div><div></div></div> 14.9%	11.0%	100.0%
Free cash-flow (20%)	45%	<div><div></div></div> 50.2%	55%	64.0%
Average ROCE (15%)	14.0%	<div><div></div></div> 16.7%	17.0%	92.9%
Reduction in GHG emissions (15%)	15.0%	<div><div></div></div> 28.9%	20%	100%

## Single figure (£000)



	Roland Carter	Julian Fagge
● Salary	964	313
● Pension and benefits	153	43
● Annual bonus	1,893	481
● Long term incentives	1,373	1,227

Salary, benefits and bonus for Julian Fagge represent six months since his appointment as Executive Director.

## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

## Statement of implementation of Remuneration Policy in FY2026

## Base salary

Roland Carter:	Julian Fagge:
<b>£1,002,100</b>	<b>£646,900</b>
3.5% increase	3.5% increase
UK wider workforce increase of 3.5%.	

## Pension Benefits

Roland Carter:	
<b>12%</b>	Benefits package consisting of healthcare, insurances and car benefit
of base salary	
Julian Fagge:	
<b>12%</b>	Benefits package consisting of healthcare, insurances and car benefit
of base salary	

## Annual bonus (maximum opportunity)

Roland Carter:	Julian Fagge:
<b>250%</b>	<b>220%</b>
of base salary	of base salary

Performance measure	Weighting
Revenue	20%
Operating profit margin	20%
Operating profit	20%
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:
<b>190,000</b>	<b>102,500</b>
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

Element		Outcome	AIP	LTIP
Customer	Attractive end markets	Revenue/revenue growth	✓	✓
	Leading businesses	Operating profit/profit margin	✓	
	Customer relationships	Headline EPS growth		✓
People	Purpose and Values	Scorecard of strategic measures key to Group and business performance	✓	
	High performance culture			
Execution	Invest behind growth	Relative total shareholder return		✓
	Operational excellence	Headline operating cash conversion	✓	
		Free cash-flow		✓
		Energy reduction	✓	

## 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 &amp; PEOPLE COMMITTEE REPORT CONTINUED

**Alignment with the UK Corporate Governance Code**

The table below details how the Committee addresses the factors set out within Provision 40 of the Code:

<b>Clarity</b>	– The Committee welcomes transparency and regular engagement with shareholders with regard to executive remuneration. During FY2025, the Committee Chair consulted with several key shareholders on Executive Director remuneration
<b>Simplicity</b>	– Participants in incentive plans receive annual communications to confirm award levels and performance measures. Supporting guidance documents and educational webinars are made available. The Remuneration Policy for Executive Directors underpins that of the wider workforce
<b>Risk</b>	<ul style="list-style-type: none"> <li>– The Committee considers the effective management of risk throughout the delivery of incentive plans, applying reasonable discretion to override formulaic outcomes if necessary</li> <li>– The Committee considers that the structure of incentive arrangements does not encourage unnecessary risk taking</li> <li>– For Executive Directors, one third of the annual bonus payment is deferred into shares with an additional three years until vesting</li> <li>– Robust malus and clawback provisions are in place for incentive plans and are clearly communicated</li> </ul>
<b>Predictability</b>	– Our Remuneration Policy clearly outlines the maximum award levels and vesting outcomes applicable to AIP and LTIP. As stated above under 'Risk', the Committee has the ability to apply discretion to formulaic outcomes and clear malus and clawback provisions exist
<b>Proportionality</b>	<ul style="list-style-type: none"> <li>– There is a link between strategic business objectives and performance outcomes, as outlined on page 89</li> <li>– Our Policy for our incentive plans outlines threshold, target and maximum opportunity levels, with actual outcomes dependent on performance achieved against predetermined measures</li> <li>– Through the design of the Remuneration Policy and the discretion of the Committee, poor performance is not rewarded</li> </ul>
<b>Alignment to culture</b>	– The Smiths Values of passion, integrity, respect, ownership and customer focus underpin the design and operation of our incentive programmes. The business strategy is supported by these Values which are widely communicated across the company.

**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 78. The overall responsibility for workforce engagement sits with the Chair of the Committee.

## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

## 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	
	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000
Roland Carter	964	320	37	13	116	37	1,117	370	1,893	400	1,373	886	3,266	1,286	4,383	1,656
Julian Fagge	313	–	12	–	31	–	356	–	481	–	1,227	–	1,708	–	2,064	–
Clare Scherrer	500	600	67	32	60	72	627	704	854	649	1,711	–	2,565	649	3,192	1,353

## Salary

Julian Fagge was appointed to the Board as CFO on 1 February 2025 with an annual base salary of £625,000. The values in the single figure table above in respect of FY2025 reflect the remuneration paid from 1 February 2025. The full value is included for FY2023 long-term incentive award and has not been pro-rated.

Clare Scherrer retired on 30 April 2025 and the remuneration above in respect of FY2025 is in respect of the period to the date of retirement and includes values for AIP and LTIP pro-rated to this date.

## Benefits

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance, car related benefits and tax return preparation (Clare Scherrer only).

## 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, Julian Fagge and Clare Scherrer 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.

## FY2025 annual bonus outcome

The maximum annual bonus opportunity for FY2025 was 230% of salary for Roland Carter. The maximum bonus opportunity for Julian Fagge from 1 February 2025 was 180% of salary. Julian also received an annual bonus payment in respect of his Smiths Interconnect service, prior to becoming CFO, of £290,912, which has been excluded from the figures above. The maximum annual bonus opportunity for Clare Scherrer was 200% of salary for FY2025. The bonus has been pro-rated up to and including the retirement date of 30 April 2025. For FY2025, financial metrics made up 80% of the annual bonus, with the final 20% based on performance against energy reduction and strategic business objectives. The table (right) summarises the financial targets and the company's actual performance (restated at budget exchange rates) against those for the FY2025 annual bonus.

Measure	Performance targets, actual performance and outturn					
	Weighting	Threshold 25% payout	Target 50% payout	Maximum 100% payout	Actual	Outturn
Revenue	30%	£3,042m	£3,202m	£3,363m	£3,317	25.7%
Operating profit	30%	£506m	£547m	£591m	£575m	24.4%
Headline operating cash conversion						
H1	10%	70%	80%	90%	92%	10.0%
FY	10%	80%	90%	100%	96%	7.8%
<b>Total financial</b>	<b>80%</b>					<b>67.9%</b>
Energy reduction	10%	(1.0%)	(2.0%)	(3.0%)	(3.0%)	10%
Strategic objectives (AP)	10%	–	–	–	–	7.5%
<b>Total</b>	<b>100%</b>					<b>85.4%</b>

## Overall FY2025 annual bonus outturn

The following table sets out the FY2025 bonus outturn for Executive Directors:

	Maximum opportunity	Outturn (percentage of maximum)
Roland Carter	230%	85.4%
Julian Fagge	180%	85.4%
Clare Scherrer	200%	85.4%

The strategic objectives for Executive Directors are based on achievements against the Acceleration Plan (AP). The AP is designed to deliver productivity gains, a streamlined cost base and higher margins, with investment directed towards process improvement and productivity. Excellent progress has been made with the AP delivering ahead of expectations, including fully embedding our Excellence programme in all parts of the business; higher investment to increase capacity and efficiency through higher automation and testing capabilities and the delivery of cost savings between target and maximum. The Committee determined a performance achievement at 75% of maximum for this measure.

The Committee considered the overall outturn carefully in the context of the Group 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 &amp; PEOPLE COMMITTEE REPORT CONTINUED

## FY2023 long-term incentive plan outcome

Roland Carter, Julian Fagge and Clare Scherrer received an award under the FY2023 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 2022 to 31 July 2025	3.5%	6.5%	9.4%	30.0%
Average annual Group headline EPS growth after tax	20%	1 August 2022 to 31 July 2025	6.0%	11.0%	14.9%	20.0%
Average ROCE	15%	1 August 2022 to 31 July 2025	14.0%	17.0%	16.7%	13.9%
Free cash-flow	20%	1 August 2022 to 31 July 2025	45%	55%	50.2%	12.8%
Reduction in GHG emissions	15%	1 August 2022 to 31 July 2025	15%	20%	28.9%	15.0%
<b>Vesting</b>						91.7%
Adjustment for non-headline profit reduction						[3.7%]
<b>Total vesting</b>						88.0%

The outturn includes the impact of the adjustment applied, as discussed in the Remuneration & People Committee Chair statement on page 85. The Group headline EPS growth after tax performance has been calculated to exclude the impact of the share buyback scheme 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 five days of the financial year [£23.22]. The share price appreciation attributable to the FY2023 LTIP for Roland Carter was 41.1% [£377,879]. For Julian Fagge it was 41.1% [£337,741] and for Clare Scherrer it was 41.1% [£470,831] based on the average share price for the 3 months to 31 July 2025 (£21.93). An additional holding period of two years will apply to the shares vesting.

## Scheme interests awarded in FY2025 (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 November 2024	190,000	£16.94	3,219	25%	31 July 2027
Roland Carter	Deferred bonus	Conditional shares	1 October 2024	7,668	£17.26	132	N/A	N/A
Roland Carter	Enhanced LTIP	Conditional shares	17 April 2025	26,877	£17.94	482	25%	31 July 2027
Julian Fagge	LTIP	Conditional shares	1 November 2024	60,062	£15.42	926	25%	31 July 2027
Julian Fagge	LTIP	Conditional shares	8 April 2025	21,219	£17.49	371	25%	31 July 2027
Julian Fagge	Enhanced LTIP	Conditional shares	17 April 2025	17,353	£17.94	311	25%	31 July 2027
Clare Scherrer	LTIP	Conditional shares	14 November 2024	110,000	£16.94	1,863	25%	31 July 2027
Clare Scherrer	Deferred bonus	Conditional shares	1 October 2024	12,457	£17.26	215	N/A	N/A

An Enhanced LTIP Award was granted to the Executive Directors in April 2025, equivalent to 50% of salary for the CEO and CFO. The award will be based fully on relative Total Shareholder Return compared to the FTSE 100 (excluding financial services and investment trusts) over the three financial years beginning FY2025. Threshold vesting (25% of the award) will only be delivered subject to Smiths delivering TSR performance at the 60th percentile level, increasing on a straight-line basis to maximum vesting at the 90th percentile.

The performance measures for the FY2025 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
Revenue growth (3-year CAGR)	30%	3.5%	6.5%
Headline EPS growth after tax (3-year CAGR)	20%	6.0%	11.0%
Free cash-flow (average annual)	20%	45.0%	55.0%
Average ROCE	15%	14.0%	17.0%
Absolute reduction in GHG emissions	15%	15.0%	20.0%
<b>Total</b>	<b>100%</b>		



## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

## Directors' share options and long-term share plans (audited)

Director and Plan	Options and awards held on 31 July 2025	Options and awards held on 31 July 2024	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
<b>Roland Carter</b>											
LTIP	0	67,200	N/A	05/11/21	01/10/24		16/10/24	55,090	N/A		1,621p
	67,200	67,200	N/A	02/11/22	08/10/25						
	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	0	N/A	14/11/24	15/10/27						
Enhanced LTIP	26,877	0	N/A	17/04/25	15/10/27						
Deferred bonus award	7,668	0	N/A	01/10/24	01/10/27						
SAYE	773	773	1,163p	17/05/22	01/08/25	01/02/26	01/08/25	773	1163p	1454p	2308p
	725	725	1,278p	16/05/24	01/08/27	01/02/28					
<b>Julian Fagge</b>											
LTIP	0	60,062	N/A	05/11/21	01/10/24		16/10/24	49,238	N/A		1,621p
	60,062	60,062	N/A	02/11/22	08/10/25						
	60,062	60,062	N/A	01/11/23	15/10/26						
	60,062	0	N/A	01/11/24	15/10/27						
	21,219	0	N/A	08/04/25	15/10/27						
Enhanced LTIP	17,353	0	N/A	17/04/25	15/10/27						
SAYE	1,346	1,346	1,337p	16/05/23	01/08/26						
<b>Clare Scherrer</b>											
LTIP	91,342	91,342	N/A	02/11/22	08/10/25						
	91,342	91,342	N/A	01/11/23	15/10/26						
	10,961	10,961	N/A	08/04/24	15/10/26						
	110,000	0	N/A	14/11/24	15/10/27						
Deferred bonus award	2,009	2,009	N/A	03/10/22	03/10/25						
	13,303	13,303	N/A	03/10/23	03/10/26						
	12,457	0	N/A	01/10/24	01/10/27						
SAYE	0	1,346	1,337p	16/05/23	30/04/25	31/10/2025	30/04/25	822	1,337p	1,671p	1,864p

## Notes

- The high and low market prices of the ordinary shares during the period 1 August 2024 to 31 July 2025 were 2,384p and 1,515p respectively. The mid-market closing price on 31 July 2024 was 1,786p and on 31 July 2025 was 2,351p.
- The five-day average closing price of a Smiths Group plc share on the dates of the LTIP awards made to Directors in the FY2025 financial year was 1,559p 1 November 2024, 1,595p on 14 November 2024, 1,811p on 8 April 2025 and 1,805p on 17 April 2025.
- The SAYE options granted to and held by Executive Directors at 31 July 2025 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 1,454p at 17 May 2022, 1,671p at 16 May 2023 and 1,598p at 16 May 2025. Shares are granted in May but the savings period commences in August.
- Clare Scherrer's SAYE was pro-rated to the date of retirement. Clare exercised 822 shares and the remaining 524 lapsed. During the year the gain on exercise of these shares was £4,311.94.
- 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 23 September 2025.
- At 31 July 2025, the trustee of the Employee Benefit Trust held 1,662,267 shares. The market value of the shares held by the trustee on 31 July 2025 was £39,079,897 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 5 November 2021 and 8 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.
- 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 &amp; PEOPLE COMMITTEE REPORT CONTINUED

**Payments to past Directors (audited)**

In FY2024 a benefit value of £119,000 was reported for Paul Keel. This included estimates of the UK and US taxes to be settled by the company totalling £48,278 in accordance with his service contract, which provided housing, car and relocation payments on a net of tax basis. The actual figures paid were UK tax of £44,814 and US tax of \$23,594, resulting in a total benefit amount for FY2024 of £133,969.

Details of remuneration payments made or to be made to Clare Scherrer on her retirement from Smiths were included in the RNS announcement dated 14 January 2025 and are in the single figure table on page 91.

Clare received a pro-rated FY2025 AIP payment of £853,909 based on 85.4% of maximum payout. Clare'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 FY2023 LTIP, 83,730 shares will vest at 88.0% of maximum 73,682 shares with a value of £1,711m.

**Payments for loss of office**

There were no payments for loss of office in FY2025.

**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 Paul Keel who resigned from the Group during FY2024 and Clare Scherrer who retired from the Group during FY2025. Mr Keel is required to hold 92,660 shares in the Company until 31 March 2026. 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 2025 the headroom available under this limit was 7.99%

**Executive Directors' shareholdings (audited)**

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2025.

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] <sup>1</sup>	Shareholding requirement met
Roland Carter	190,000	130,733	392,177	54,296	4,064	1,498	99.5%	N
Julian Fagge	102,500	6,511	218,758	26,096	–	1,346	31.8%	N

Roland Carter acquired 776 shares on 1 August 2025 following exercise of the Save As You Earn shares awarded on 17 May 2022. There have been no other changes to the Executive Directors' shareholdings between 1 August 2025 and 23 September 2025.

**Footnotes**

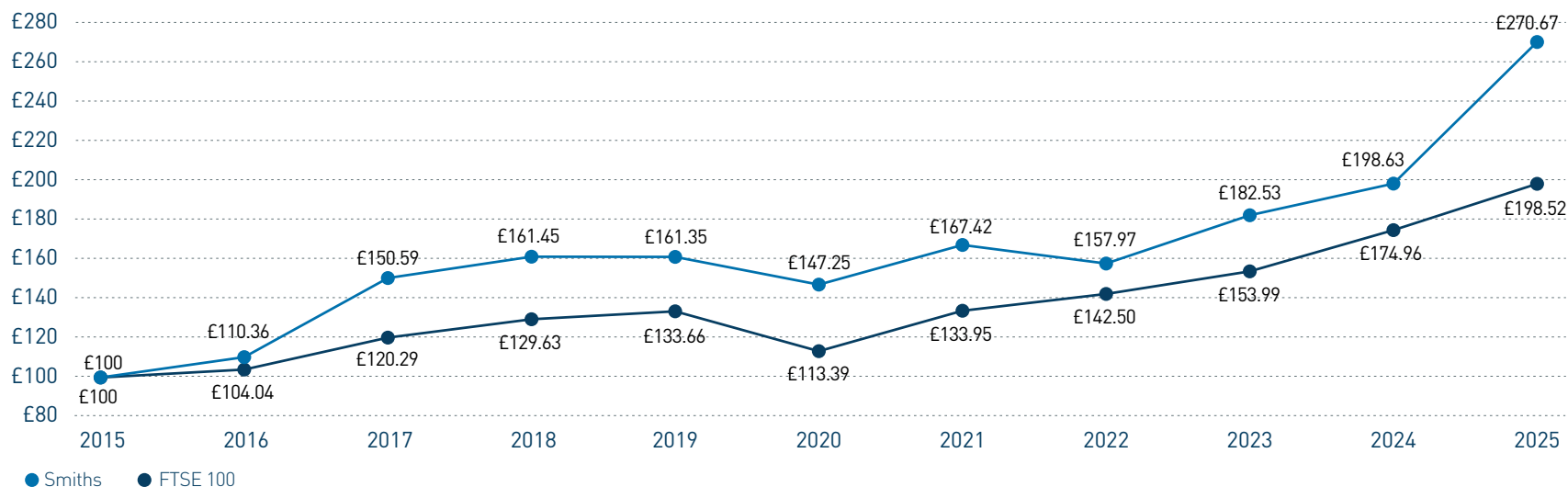
- 1 Shares owned outright (including vested shares in holding period), and the net of income tax value of shares arising from bonus deferral, are taken into account for the shareholding requirement. Executive Directors have five years from the date of appointment to meet the required personal shareholding. Roland Carter has until 26 March 2029 and Julian Fagge has until 1 February 2030 to meet the requirement.

## REMUNERATION &amp; 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 2025 were £198.52 and £270.67 respectively.

## Total Shareholder Return



## Chief Executive's remuneration for the last ten years

	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	FY2016 A Reynolds Smith	FY2016 P Bowman
Total remuneration £000	4,383	1,656	814	4,285	1,832	450	2,753	2,196	4,130	3,251	2,320	2,964	1,602
Annual bonus outcome (% max)	85.4%	60.5%	0%	70%	39%	76%	70%	17%	41%	42%	96%	89%	88%
Common Investment Plan outcome (% max)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
LTIP outcome (% max)	88.0%	76.7%	0%	76%	n/a	n/a	19%	31%	75%	32%	n/a	n/a	18%

## 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
<b>FY2025</b>	Option B	<b>108:1</b>	<b>82:1</b>	<b>53:1</b>
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
FY2021	Option B	105:1	75:1	47:1

#### Salary

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
<b>FY2025</b>	Option B	<b>26:1</b>	<b>18:1</b>	<b>12:1</b>
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
FY2021	Option B	35:1	25:1	17:1

	Salary (£)	Total remuneration (£)
Chief Executive	963,500	4,382,789
25th percentile employee	37,011	40,748
Median employee	53,021	53,326
75th percentile employee	77,250	82,991

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 2025 and incentive payments payable in respect of FY2025. 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 is consistent as he has received a pay increase in line with the wider workforce. The ratio has increased for total remuneration as both short and long-term incentives have paid out significantly above target this year.

### Percentage change in Directors' remuneration

	FY2024 to FY2025			FY2023 to FY2024			FY2022 to FY2023			FY2021 to FY2022		
	Salary/fees (%)	Benefits (%)	Bonus (%)	Salary/fees (%)	Benefits (%)	Bonus (%)	Salary/fees (%)	Benefits (%)	Bonus (%)	Salary/fees (%)	Benefits (%)	Bonus (%)
CEO	201	206	373	–	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Previous CEO	n/a	n/a	n/a	-45.0	-48.5	-100	2.1	-24.1	185	0	239	204
CFO*	–	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Outgoing CFO	-17	22	32	8.3	7.2	2.2	0.0	10.7	176	n/a	n/a	n/a
NED	3.0	125	n/a	5.0	-45	n/a	2.5	12.0	n/a	2.5	100	n/a
All employee average	3.0	3.0	41	5.0	5.0	-14	2.5	2.5	180	2.5	2.5	-34

\* Julian Fagge was appointed to the Board in February 2024 and year on year change can therefore not be calculated.

'All employees' is defined as all UK Group employees. This was 167 employees at all grades in FY2025. It was 196, 190 and 200 employees for FY2024, FY2023 and FY2022 respectively.

Former CEO Paul Keel was pro-rated for service from 25 May 2021 – 31 July 2021 for FY2021. Paul Keel forfeited his annual bonus for FY2024 upon his resignation on 25 March 2024. Remuneration for Roland Carter was pro-rated for service from 26 March 2024 for FY2024 as the incoming CEO.

Remuneration for the outgoing CFO Clare Scherrer was pro-rated for service to the date of her retirement on 30 April 2025. Remuneration for Clare Scherrer was also pro-rated for service from 29 April 2022 – 31 July 2022 for FY2022.

Remuneration for the CFO Julian Fagge was pro-rated for service from 1 February 2025.

### Relative importance of spend on pay

The table below shows shareholder distributions (i.e., dividends and share buybacks) and total employee pay expenditure for FY2025 and FY2024 and the percentage change. The distributions are higher for FY2025 owing to a higher number of share buybacks than FY2024.

	FY2025 £m	FY2024 £m	Change
Shareholder distributions	<b>455</b>	217	110%
Employee costs	<b>1,027</b>	992	3.5%

## REMUNERATION & PEOPLE COMMITTEE REPORT CONTINUED

### 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.

Clare Scherrer was employed under a service contract with the Company dated 13 April 2022 and effective 29 April 2022. She became an Executive Director with effect from 29 April 2022 and stepped down as an Executive Director with effect from 31 January 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.

### Change of control provisions

In the event of a change of control, LTIP awards will vest to the extent that each of the performance conditions is met based on the Committee's assessment of performance over the performance period to the date of change of control. For internal performance measures, the Committee may exercise its judgement in determining the outcome based on its assessment of whether or not the performance conditions would have been met to a greater or lesser extent at the end of the full performance period. Awards will also normally be pro-rated to reflect the time that has elapsed between the grant of the award and the date of change of control. The Committee retains discretion to vary these provisions on a case-by-case basis.

### Non-executive Directors

#### Single figure of annual remuneration (audited)

	Salary/fees		Benefits <sup>1</sup>		Total	
	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000	FY2025 £000	FY2024 £000
Steve Williams <sup>2</sup>	479	354	–	–	479	354
Pam Cheng	97	94	–	–	97	94
Alister Cowan <sup>3</sup>	111	7	–	–	111	7
Dame Ann Dowling <sup>4</sup>	101	98	3	3	104	101
Karin Hoeing <sup>5</sup>	101	92	1	–	102	92
Richard Howes <sup>6</sup>	111	92	2	–	113	92
Simon Pryce <sup>7</sup>	50	–	2	–	52	–
Mark Seligman <sup>8</sup>	107	95	1	1	108	96
Noel Tata	101	102	–	–	101	102

#### Non-executive Director fees

Non-executive Director fees paid during FY2025 and payable during FY2026 are shown below. It was determined that the fee increase for the Chairman and the Non-executive Directors' base fee should mirror that awarded to the wider UK workforce. For FY2026 a 3.5% increase was agreed by the Chairman and Executive Directors. This will apply from 1 October 2025.

	FY2026	FY2025
Fee payable to Chairman of the Board for all responsibilities	£497,845	£481,000
Non-executive Director base fee	£83,789	£80,956
Additional fee payable to the Senior Independent Director	£20,000	£20,000
Additional fee for Committee Chairs	£20,000	£20,000
Additional fee payable to members of the Separation Oversight Committee	£20,000	–
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

During the year it was agreed to pay members of the Separation Oversight Committee an additional £20,000 fee per annum in recognition of the material increase in time commitment expected from those Directors in overseeing the separations of Smiths Interconnect and Smiths Detection. Steve Williams serves as Chairman of the Committee but agreed to waive his fee, noting the nature of his all-encompassing fee received as Chairman of the Board. The payment of the fee will be kept under review and it is expected that the Committee will be retired and the fee will cease to be paid on conclusion of the separations of Smiths Interconnect and Smiths Detection.

#### 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.



#### Footnotes

- Benefits for the Chairman and Non-executive Directors relate to reimbursed travel-related and other expenses (including flight costs and tax support where applicable), which are grossed up for the UK income tax and National Insurance contributions paid by the company on their behalf.
- 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.
- Dame Ann Dowling's fees include the fee for chairing the Innovation, Sustainability & Excellence Committee.
- Karin Hoeing's fees include the fee for chairing the Remuneration & People Committee.
- Richard Howes' fees include the fees for chairing the Audit & Risk Committee and his membership of the Separation Oversight Committee.
- Simon Pryce joined the Board on 1 February 2025. His fees include the fee for membership of the Separation Oversight Committee.
- Mark Seligman's fees include the additional fees as Senior Independent Director and for his membership of the Separation Oversight Committee.

## REMUNERATION &amp; PEOPLE COMMITTEE REPORT CONTINUED

**Non-executive Directors' shareholdings (audited)**

The table below shows the shareholding for each Non-executive Director.

	31 July 2025
Steve Williams	34,000
Pam Cheng	6,000
Alister Cowan	13,000
Dame Ann Dowling	5,813
Karin Hoeing	3,414
Richard Howes	4,135
Simon Pryce	–
Mark Seligman	10,000
Noel Tata	6,000

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 (20%), Karin Hoeing acquired 242 shares and Richard Howes acquired 76 shares on 1 August 2025. There have been no further changes between 1 August 2025 and 23 September 2025.

**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
Karin Hoeing	2 April 2020
Richard Howes	1 September 2022
Simon Pryce	1 February 2025
Mark Seligman	16 May 2016
Noel Tata	1 January 2017

**Statement of shareholder voting**

The table below sets out the Company voting outcome of the advisory resolution for approval of the Directors' Remuneration Report at the 2024 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	244,711,754	95.2%	12,260,023	4.8%	256,971,777	2,250,218
Directors' Remuneration Policy	237,176,139	92.3%	19,849,822	7.7%	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 Company Secretary is secretary to the Committee.

The Company paid a total fee of £61,000 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 FY2025, Deloitte LLP provided the Committee with information on 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 Group that may impair its independence.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

**Karin Hoeing**

Chair of the Remuneration & People Committee



# INNOVATION, SUSTAINABILITY & EXCELLENCE COMMITTEE REPORT

## Chair's statement

Innovation, Sustainability and Excellence (ISE) remain critical to the successful delivery of our strategy, and I am pleased to report continued progress in these areas over the past year.

The Committee, established in 2021, has played a key role in embedding ISE priorities across the Group and setting the tone from the top. Its remit has included oversight of innovation and new product development, environmental and sustainability performance, and the implementation of operational excellence. The decision to unify the leadership of people, sustainability and excellence reflects the growing strategic and cultural importance of these areas to the Group.

During the year, the Committee met four times to review business innovation strategies and monitor the integration of sustainability and excellence across the Group. These discussions highlighted the cultural transformation underway, particularly through the deployment of Lean and the alignment of the people, sustainability and excellence functions. We also reaffirmed our commitment to sustainability by recommending environmental performance targets to the Remuneration & People Committee and welcomed continued momentum in community engagement through the Smiths Group Foundation.

The Committee has been well supported by the Board, with Directors regularly attending beyond the formal membership, reflecting the significance and broad interest these topics command. It was particularly encouraging to hear, during the recent Board Review facilitated by Dr Tracy Long, how highly valued these areas are by the Board and the benefit derived from engaging directly with our talented R&D teams.

As these priorities have become more deeply embedded in our operations and culture and as the Group simplifies, the Board has taken the decision to retire the Committee following the 2025 AGM. Its responsibilities will be absorbed by the Board, with ISE related assurance, risk and remuneration matters considered by the Audit & Risk and Remuneration & People Committees. Innovation and R&D, as integral components of our strategy, will be covered through regular deep dives by the Board as part of business review updates.

I would like to thank my fellow Committee members for their commitment and contributions, and all colleagues across the Group who continue to drive innovation, sustainability and continuous improvement. I look forward to continuing these important discussions at Board level.

### Dame Ann Dowling

Chair of the Innovation, Sustainability & Excellence Committee

## Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 65 to 67. Several other Board members attended meetings throughout the year. The Chief Executive Officer, Chief Financial Officer and the Chief People, Sustainability & Excellence Officer usually attend the meetings. Other members of senior management are invited to attend as necessary. The Deputy Company Secretary acts as secretary to the Committee.

## Committee performance review

In FY2025, the performance of the Committee was considered as part of the wider Board Review process described on page 72. Overall, it was confirmed that the Committee continues to operate effectively.



### Dame Ann Dowling

Chair of the Innovation, Sustainability & Excellence Committee



### Committee membership

Dame Ann Dowling

Pam Cheng

Karin Hoeing

Noel Tata

### Top Committee activities this year

- Received updates from the businesses on new product development and innovation
- Continued to monitor the implementation of Smiths Excellence including Lean deployment
- Recommended environmental performance targets for FY2026 to the Remuneration & People Committee



INNOVATION, SUSTAINABILITY & EXCELLENCE COMMITTEE REPORT CONTINUED

Committee activities

Innovation

The Committee received regular updates on innovation strategy, including progress against FY2025 initiatives, the development pipeline for new products and plans for FY2026. These updates included Flex-Tek’s collaboration with Midrex on the Green Steel project and John Crane’s advancement on dry gas seals and innovation-led culture. Through the business deep-dives, the Committee also explored how emerging megatrends are shaping market dynamics, and the Group’s proactive efforts to identify and respond to these opportunities. These insights informed broader Committee discussions on how innovation, technology, sustainability and customer-centricity are influencing the next generation of products. As part of the update from John Crane, the Committee discussed its strategic partnership with the University of Sheffield, an important collaboration aimed at accelerating innovation and advancing clean energy solutions. Dame Ann Dowling attended the formal signing of the partnership at the university, highlighting the significance of this initiative to Smiths innovation agenda.

Sustainability

The Committee oversaw significant progress across the Group’s environmental agenda and was pleased to note a 2% absolute reduction in energy use and an 11.4% absolute reduction in greenhouse gas emissions. Solar energy investments totalling £1 million were completed, with further projects planned for the coming year. We reviewed the Group’s medium-term environmental goals, which remain on track. These include increasing renewable electricity usage, improving waste and water management at water-stressed sites, and strengthening supplier engagement through EcoVadis and the Science-Based Targets initiative (SBTi). The Committee received an update on the activities of the Smiths Group Foundation, which awarded £675,000 in grants during the year to support STEM education, community safety, and environmental sustainability. We also welcomed the continued employee engagement in global community programmes.

Our climate risk assessment now incorporates the Intergovernmental Panel on Climate Change (IPCC) aligned scenarios to better reflect physical climate risks and we noted improvements in ESG data quality following the adoption of new software. Finally, the Committee continued to monitor regulatory developments and climate-related risks, including through a joint session with the Audit & Risk Committee to review the evolving ESG regulatory landscape. We also held discussions on the effectiveness of external sustainability reporting and the Group’s participation in benchmarking indices.

Excellence

The Committee oversaw continued progress in the Group’s Excellence programme, which remains central to driving operational efficiency and cultural transformation. We were pleased to note that the Group exceeded its FY2025 profit savings target and broader efficiency goals. Delivery was strong, with significant expansion of our cohort of Green and Yellow Belt certifications and Lean deployment completed at all sites with over 100 colleagues. We welcomed the Group’s Tier 2 membership of the UK’s Manufacturing Technology Centre, enabling deeper collaboration on manufacturing optimisation, digitisation, and emerging technologies. Participation in the Core Research Programme provides access to leading research and intellectual property. The Committee was also encouraged by the Communities of Practice between the John Crane and Flex-Tek businesses, which supports cross-business learning and innovation in areas such as automation, additive manufacturing, and digital technologies and the sharing of best practice and technical expertise.

Looking ahead, the Committee is confident that the Group enters FY2026 with a well-established culture of continuous improvement and an ability to deliver enterprise-wide impact, well positioned to capture future opportunities and drive enhanced performance.



Roll out of training

>9,000

colleagues completed Smiths Excellence Fundamentals training



Read more

Sustainability

→ Page 37

# DIRECTORS' REPORT

The Strategic report is a requirement of the Companies Act 2006 (the Act) and can be found on pages 2 to 62. 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 23
Directors' dividend recommendation	Strategic report page 16
Research and development activities	Strategic report pages 17 to 23
Employment of disabled persons	Sustainability metrics, targets and performance page 59
Engagement with UK employees	Our people and culture page 24 Building our culture page 25 Sustainability metrics, targets and performance page 59 Section 172 Statement and Stakeholder engagement pages 70 to 71
Engagement with suppliers, customers and others in a business relationship with the Company	Board activity and key decisions page 69 Section 172 Statement and Stakeholder engagement pages 70 to 71
Political donations and expenditure	Directors' report page 102
GHG emissions, energy consumption and energy efficiency	ESG data disclosures pages 55 to 57
Corporate Governance Statement	Governance report pages 63 to 100
Directors during FY2025	Governance report pages 65 to 66
Director appointment	Governance report page 75
Amendment of Articles of Association	Governance report page 64
Indemnities	Governance report page 68
Change of control	Remuneration & People Committee report page 97 Directors' report page 101 Borrowings and net debt note 18
Directors' responsibility statement	Statement of Directors' responsibilities page 103
Disclosure of information to the auditor	Statement of Directors' responsibilities page 103
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 64 Share capital note 24
Post balance sheet event	Post balance sheet event note 31
Overseas branches	Subsidiary undertakings page 199

## Change of control

The Company and two of its businesses, Smiths Detection and Smiths Interconnect, have Special Security Agreements with the US Department of Defense in order to comply with the US government's national security requirements. In the event of a change of control of the Company, the agreements may be terminated or altered by the US Department of Defense.

## 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 FY2025
6.6.1R(4)(5)	Director emoluments	Remuneration & People Committee Report page 97
6.6.1R(11)(12)	Dividend waiver	Dividend note 25
6.6.6R(1)	Directors' interests	Remuneration & People Committee Report pages 94 and 98
6.6.6R(2)	Major shareholders' interests	Directors' report page 102
6.6.6R(3)	Going Concern and Viability Statement	Strategic report pages 60 to 62
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 63
6.6.6R(7)	Unexpired term of service contract	Remuneration & People Committee report page 97
6.6.6R(8)	TCFD disclosures	Task Force on Climate-related Financial Disclosures pages 46 to 52
6.6.6R(9)(10)(11)	Board and executive management diversity	Sustainability metrics, targets and performance page 59 Governance report page 77

## Political donations

The Group 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 FY2025 totalled US\$61,500 (FY2024: US\$28,000).

## Major shareholders' interests

As at 31 July 2025, 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.	33.1m	10.0	16 July 2025
Wellington Management Group LLP	16.7m	5.1	28 July 2025
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 10 September 2025:

	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	34.3m	10.3	4 August 2025
Wellington Management Group LLP	16.6m	5.1	1 September 2025

By order of the Board

**Matthew Whyte**

Company Secretary

22 September 2025

# 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 65 to 66) 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

22 September 2025



**Read more**  
Board biographies  
[→ Page 65](#)



# 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 2025, 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 2025 (FY2025) included in the Annual Report and Accounts, which comprise:

Group	Parent Company (Smiths Group plc)
Consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, and consolidated cash-flow statement.	Company balance sheet, and company statement of changes in equity.
Notes 1 to 32 to the Group financial statements, including the accounting policies.	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

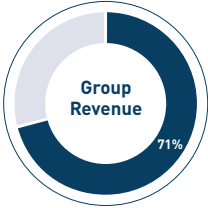
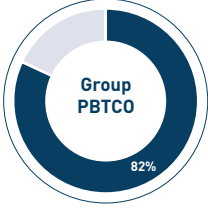
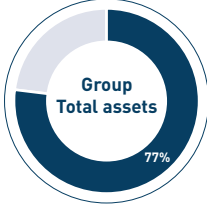
## 2. Overview of our audit

<b>Factors driving our view of risks</b>	Following our FY2024 audit, and considering developments affecting the Group since then, we have updated our risk assessment decisions.	<b>Key Audit Matters</b>	<b>vs FY2024</b>	<b>Item</b>
	The Group recognises a provision of £191m (FY2024: £220m) 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 FY2024, 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)	↔	<b>4.1</b>
	The Group recognises a goodwill balance in the Smiths Detection CGU of £623m (FY2024: £625m) which is subject to impairment assessment annually. The impairment assessment relies on assumptions and estimates which are subject to a high degree of uncertainty. The recoverability of goodwill is sensitive to changes in these assumptions. Consistent with FY2024, 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.	Recoverability of goodwill in respect of the Smiths Detection CGU (a)	↔	<b>4.2</b>
	The Parent Company has material pension plan assets and liabilities, especially in the UK. Small changes in the assumptions used to determine the liabilities, those relating to discount rates, inflation and mortality, can have a significant impact on the valuation of the liabilities. The effect of these matters is that we determined that the valuation of liabilities has a high degree of estimation uncertainty. Consistent with FY2024, 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.	Defined benefit pension plan liabilities for SIPS (b)	↔	<b>4.3</b>
<b>Audit &amp; Risk Committee Interaction</b>	<p>During the year, the ARC met 4 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.</p> <p>The matters included in the Audit &amp; Risk Committee Chair's report on pages 78 to 84 are materially consistent with our observations of those meetings.</p>			
<b>Our Independence</b>	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	<b>£6m</b>	
	We have not performed any non-audit services during FY2025 or subsequently which are prohibited by the FRC Ethical Standard.	Audit related fees (including interim review) <sup>1</sup>	<b>£2.1m</b>	
	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 6 financial years ended 31 July 2025.	Other services	<b>£0.2m</b>	
	The Group engagement partner is required to rotate every 5 years. As these are the third 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 % <sup>1</sup>	<b>9.1%</b>	
	The average tenure of component engagement partners as set out in section 7 below is 2 years, with the shortest being 1 and the longest being 5.	Date first appointed	<b>13 November 2019</b>	
		Uninterrupted audit tenure	<b>6 years</b>	
		Next financial period which requires a tender	<b>FY2030</b>	
		Tenure of Group engagement partner	<b>3 years</b>	
		Average tenure of component engagement partners	<b>2 years</b>	

<sup>1</sup> Audit related assurance services includes £0.4M for review of interim report and £1.7M for services delivered in FY2025 related to the reporting accountant engagement in respect of the historical financial information of the Detection business of the Group. This engagement is required by regulation and supports the Company in fulfilling its legal obligations under UK law. Accordingly, the related fees of £1.7M has been excluded from the calculation of non-audit services as a percentage of total audit and audit related fees disclosed above.



KPMG LLP’S INDEPENDENT AUDITOR’S REPORT CONTINUED

<p><b>Materiality</b> (Item 6 below)</p>	<p>The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.</p> <p>We have determined overall materiality for the Group financial statements as a whole at £21m (FY2024: £21m) and for the Parent Company financial statements as a whole at £16.5m (FY2024: £20.8m).</p> <p>Consistent with FY2024, 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 £412.7m (FY2024: £398m), of which it represents 5.1% (FY2024: 5.3%).</p> <p>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 0.4% (FY2024: 0.7%).</p>	<p><b>Materiality levels used in our audit</b></p> <table><tr><td>Group</td><td><div><div></div></div></td><td>21 21</td></tr><tr><td>GPM</td><td><div><div></div></div></td><td>15.7 15.7</td></tr><tr><td>HCM</td><td><div><div></div></div></td><td>16.5 20.8</td></tr><tr><td>PLC</td><td><div><div></div></div></td><td>16.5 20.8</td></tr><tr><td>LCM</td><td><div><div></div></div></td><td>1.5 1.8</td></tr><tr><td>AMPT</td><td><div><div></div></div></td><td>1 1</td></tr></table> <p>● FY2025 £m ● FY2024 £m</p> <p><b>Group</b> Group Materiality <b>GPM</b> Group Performance Materiality <b>HCM</b> Highest Component Materiality <b>PLC</b> Parent Company Materiality <b>LCM</b> Lowest Component Materiality <b>AMPT</b> Audit Misstatement Posting Threshold</p>	Group	<div><div></div></div>	21 21	GPM	<div><div></div></div>	15.7 15.7	HCM	<div><div></div></div>	16.5 20.8	PLC	<div><div></div></div>	16.5 20.8	LCM	<div><div></div></div>	1.5 1.8	AMPT	<div><div></div></div>	1 1
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AMPT	<div><div></div></div>	1 1																		
<p><b>Group Scope</b> (Item 7 below)</p>	<p>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.</p> <p>Based on this assessment, we determined 2 components as quantitatively significant components, 2 components as components where special audit consideration is necessary and 23 other components where we performed procedures to obtain further audit coverage.</p> <p>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.</p> <p>We consider the scope of our audit, as communicated to the Audit &amp; Risk Committee, to be an appropriate basis for our audit opinion.</p>	<p><b>Coverage of Group financial statements</b></p> <p>Our audit procedures covered 71% of Group revenue from continuing operations:</p> <div><p>Group Revenue 71%</p></div> <p>We performed audit procedures in relation to components that accounted for the following percentages:</p> <div><div><p>Group PBTCo 82%</p></div><div><p>Group Total assets 77%</p></div></div>																		

## 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 46, 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 47 and page 124, 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 46 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.
- Adverse impact of the announcement in relation to the separation of Smiths Interconnect and Smiths Detection on the overall cash flow forecasts and Group's liquidity position.

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 60 to 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 and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 60 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 60 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 60 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

	FY2025	FY2024
Estimation of litigation provisions for John Crane, Inc. ('JCI') asbestos	£191m	£220m

## Our assessment of risk vs FY2024



We have not identified any significant changes to our assessment of the level of risk relating to estimation of litigation provisions for asbestos in John Crane, Inc. compared to FY2024.

## Our results

**FY2025: Acceptable**  
FY2024: 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 be made, 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.

## 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:

**Controls assessment:** Assessment of design and implementation of controls addressing significant risk.

**Our actuarial expertise:** Assessing the appropriateness of the ten-year projection period used by the 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 specialist.

**Assessing methodology:** We evaluated 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 of the effect of reasonably possible changes in key judgements and assumptions reflect the risks inherent in the provisions' estimation.

## Communications with the Smiths Group plc's Audit &amp; Risk Committee

Our discussions with and reporting to the Audit & Risk Committee included:

- Details of our audit approach and planned audit procedures, including engaging our valuation specialist team to assess 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 provisioning in respect of John Crane Inc. asbestos litigation to be acceptable (FY2024: Acceptable).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 80 for details on how the Audit & Risk Committee considered the estimation of litigation provision for John Crane, Inc. ('JCI') as an area of significant attention, page 125 for the accounting policy on provisions for liabilities and charges, and page 168, note 23 for the financial disclosures.

## KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

## 4.2 Recoverability of Goodwill for Smiths Detection business (Group)

## Financial statement elements

	FY2025	FY2024
Carrying value of goodwill for Smiths Detection business	<b>£623m</b>	£625m

## Our assessment of risk vs FY2024



We have not identified any significant changes to our assessment of the level of risk relating to recoverability of goodwill for the Smiths Detection business compared to FY2024.

## Our results

**FY2025: Acceptable**  
FY2024: Acceptable

## Description of the key audit matter

## Forecast-based assessment

The Group holds a significant amount of goodwill, especially in relation to the Smiths Detection cash generating unit (CGU).

The value in use calculation for the CGU, which represents the estimated recoverable amount, is subjective due to the inherent uncertainty involved in forecasting and discounting estimated future cash flows.

Based on our review of the FY2025 impairment model and business plan, whilst there has been significantly improved financial performance in the current year, we still consider that in severe downside scenario, with the combined sensitivity of all the key assumptions (notably 5-year revenue growth rate, discount rate, and cost of sales within earnings before interest and tax), this would significantly reduce the CGU's recoverable amount.

The effect of these matters is that, as part of our initial risk assessment, we determined that the value in use of the Smiths Detection CGU 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, and possibly many times that amount. In conducting our final audit work, we concluded that reasonably possible changes to individual assumptions would not be expected to result in a material impairment, but in a combined sensitivity there remains a potential range greater than our materiality for the financial statements.

## 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:

**Controls assessment:** Assessment of design and implementation of controls addressing significant risk.

**Benchmarking assumptions and historical comparison:** Assessing and challenging the key assumptions in the business plan through retrospective review, inspection of the orderbook and contracted revenue and comparison to external industry forecasts.

**Our valuation expertise:** Using our valuations specialists to challenge the appropriateness of discount rates by deriving our own independent range and using external market data to challenge the Group's assumption of 5-year revenue growth rates and EBIT margin.

**Mathematical accuracy:** Assess the mathematical accuracy and appropriateness of the adjustments made to the impairment model, in-line with IAS 36.

**Sensitivity analysis:** We performed sensitivity and scenario analysis on key assumptions.

**Assessing transparency:** We assessed the Group's disclosures in respect of the judgement and estimates around goodwill recoverability for the Smiths Detection CGU, including disclosures of the sensitivity in the value in use calculations to changes in key assumptions.

## Communications with the Smiths Group plc's Audit &amp; Risk Committee

Our discussions with and reporting to the Audit & Risk Committee included:

- Details of our audit approach and planned audit procedures, including engaging our valuation specialist team to test discount rate assumption and compare the revenue growth in the impairment model to external market data.
- Our conclusion on the overall assessment of the assumptions underlying the impairment model.
- Assessment of the adequacy of the disclosures in the financial statements in respect of the sensitivity of the recoverable amount of the goodwill to changes in key assumptions.

## Area of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- Assessing whether the estimates used by the Group of the cumulative average revenue growth rate and EBIT margin projections over the forecast period are acceptable.

## Our results

We found the Group's conclusion that there is no impairment of goodwill to be acceptable (FY2024 result: Acceptable).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 80 for details on how the Audit & Risk Committee considered the recoverability of goodwill for the Smiths Detection business as an area of significant attention, page 129 for the accounting policy on goodwill, and page 151, note 10 for the financial disclosures.



## KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

## 4.3 Valuation of UK defined benefit SIPS pension scheme liabilities (Parent Company)

## Financial statement elements

	FY2025	FY2024
UK defined benefit SIPS pension scheme liabilities	<b>£1,185m</b>	£1,307m

## Our assessment of risk vs FY2024

↔ We have not identified any significant changes to our assessment of the level of risk relating to valuation of UK defined benefit SIPS pension scheme liabilities compared to FY2024.

## Our results

**FY2025: Acceptable**  
FY2024: Acceptable

## Description of the key audit matter

## Subjective estimate

The Parent Company has material pension plan assets and liabilities, especially in the UK. Small changes in the assumptions used to determine the liabilities, in particular those relating to discount rates, inflation and mortality can have a significant impact on the valuation of the liabilities.

The effect of these matters is that we determined that the valuation of liabilities 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, and possibly many times that amount.

## Our response to the risk

We performed the tests below rather than seeking to rely on any of the 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:

**Controls assessment:** Assessment of design and implementation, and operating effectiveness, of controls linked to the key assumptions.

**Benchmarking assumptions:** Challenging the key assumptions applied in the calculation of the liability, including the discount rates, inflation rates, mortality and pension increases with the support of our own actuarial specialists by comparing against market data.

**Assessing actuary's credentials:** Assessing the competence, independence and integrity of the Group's actuarial expert involved in the valuation of defined benefit pension obligation.

**Assessing transparency:** Assessing the adequacy of the disclosures in respect of the sensitivity of the obligation to key assumptions.

## Communications with the Smiths Group plc's Audit &amp; Risk Committee

Our discussions with and reporting to the Audit & Risk Committee included:

- Our conclusion on the overall assessment of the assumptions and key judgements supporting the estimation of the defined benefit liabilities.
- Assessment of the adequacy of the disclosures in respect of the pension scheme liabilities (including risks, assumptions and sources of estimation uncertainty).

## Area of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- Assessment of the assumptions supporting the valuation of the defined benefit liabilities.

## Our results

We found the valuation of the UK defined benefit SIPS pension scheme liabilities to be acceptable (FY2024: Acceptable).

Further information in the Annual Report and Accounts: See the Audit & Risk Committee Report on page 80 for details on how the Audit & Risk Committee considered the valuation of UK defined benefit SIPS pension scheme as an area of significant attention, page 124 for the accounting policy on pension obligations and post-retirement benefits, and page 143, note 8 for the financial disclosures.

## 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

<b>Fraud risk assessment</b>	<p>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:</p> <ul style="list-style-type: none"> <li>– Enquiring of Directors, the Audit &amp; Risk Committee, 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.</li> <li>– Reading Board, Audit &amp; Risk, Disclosure, Transactions, Nomination &amp; Governance, Remuneration &amp; People, and Finance Committee minutes.</li> <li>– 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.</li> <li>– Using analytical procedures to identify any unusual or unexpected relationships.</li> <li>– Involving forensic specialists to discuss identified events or conditions and findings of risk assessment procedures.</li> </ul>
<b>Risk communications</b>	<p>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.</p>
<b>Fraud risks</b>	<p>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. On this audit we do not believe there is a fraud risk related to revenue recognition due to limited opportunity from simplicity of revenue transactions, except for the Detection division. This is because within the Detection division, there are multi-year contracts (programme revenue) where determination of performance obligations can be complex, and there was an increased amount of this revenue recognised in the last month of the year. Therefore, there is a risk of revenue being overstated during the year end closing period through the manipulation of the timing of recording the revenue.</p> <p>We also identified a financial statement level fraud risk related to the separation of Smiths Interconnect and Detection announcement. This is in response to the divestment incentive scheme linked to sales price, pressure to meet profitability or trend-level expectations and planned or completed significant business sales or planned IPO.</p>
<b>Procedures to address fraud risks</b>	<p>We performed procedures including:</p> <ul style="list-style-type: none"> <li>– 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 unusual entries in revenue accounts, cash and cash equivalents or borrowings accounts, entries posted by a seldom user crediting an expense or revenue account, journal entries with keywords, and entries posted by senior finance management including the individuals directly involved in divestment incentive scheme.</li> <li>– Testing consolidation adjustment entries posted and comparing the identified entries to supporting documentation.</li> <li>– Specified procedures were completed by relevant component teams over period end revenue recognition. These procedures included tests over pre-year end and post year end revenue transactions.</li> <li>– Challenging key judgements and estimates across the Group, with particular focus on the Smiths Interconnect and Smiths Detection businesses.</li> </ul>
<b>Significant actual or suspected fraud discussed with ARC</b>	<p>We assessed the disclosures in Note 3 related to the impairment of prior year working capital balances. We discussed these matters with the Audit &amp; Risk Committee and considered any implications for our audit, including increasing the scope of audit procedures for the year-end audit.</p>

## 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**

<b>Laws and regulations risk assessment</b>	<p>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.</p> <p>As the Group is regulated, our assessment of risks involved gaining an understanding of the controls environment including the entity's procedures for complying with regulatory requirements.</p>
<b>Risk communications</b>	<p>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.</p>
<b>Direct laws context and link to audit</b>	<p>The potential effect of these laws and regulations on the financial statements varies considerably.</p> <p>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.</p>
<b>Most significant indirect law/regulation areas</b>	<p>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.</p> <p>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.</p>
<b>Context</b>	
<b>Context of the ability of the audit to detect fraud or breaches of law or regulation</b>	<p>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.</p>

## 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.

<b>£21m (FY2024: £21m)</b> <b>Materiality for the Group financial statements as a whole</b>	<p><b>What we mean</b> A quantitative reference for the purpose of planning and performing our audit.</p> <p><b>Basis for determining materiality and judgements applied</b> Materiality for the Group financial statements as a whole was set at £21m (FY2024: £21m). This was determined with reference to a benchmark of Group normalised profit before tax from continuing operations (PBTCo).  Consistent with FY2024, 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 corporate restructuring costs of £22m and impairment of prior year working capital balances of £15m stated in note 3 of the financial statements. (FY2024: PBTCo was</p>	<p>normalised to include retirement benefit obligation for past service equalisation costs of £4m and loss on disposal of financial assets and their related fair value loss of contingent consideration of £22m.)</p> <p>Our Group materiality of £21m 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 5.1% (FY2024: 5.3%) to the benchmark.</p> <p>Materiality for the Parent Company financial statements as a whole was set at £16.5m (FY2024: £20.8m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.4% (FY2024: 0.7%).</p>
<b>£15.7m (FY2024: £15.7m)</b> <b>Performance materiality</b>	<p><b>What we mean</b> 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.</p> <p><b>Basis for determining performance materiality and judgements applied</b> We have considered performance materiality at a level of 75% (FY2024: 75%) of materiality for Smiths Group plc Group financial statements as a whole to be appropriate.</p>	<p>The Parent Company performance materiality was set at £12.3m (FY2024: £15.6m), which equates to 75% (FY2024: 75%) of materiality for the Parent Company financial statements as a whole.</p> <p>We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.</p>
<b>£1m (FY2024: £1m)</b> <b>Audit misstatement posting threshold</b>	<p><b>What we mean</b> 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.</p> <p>This is also the amount above which all misstatements identified are communicated to Smiths Group plc's Audit &amp; Risk Committee.</p>	<p><b>Basis for determining the audit misstatement posting threshold and judgements applied</b> We set our audit misstatement posting threshold at 5% (FY2024: 5%) of our materiality for the Group financial statements. We also report to the Audit &amp; Risk Committee any other identified misstatements that warrant reporting on qualitative grounds.</p>

The overall materiality for the Group financial statements of £21m (FY2024: £21m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group PBTCo		Total Group assets	
	FY2025	FY2024 <sup>1</sup>	FY2025	FY2024 <sup>1</sup>	FY2025	FY2024
Financial statement caption	<b>£2,915m</b>	£3,132m	<b>£375m</b>	£372m	<b>£4,011m</b>	£4,232m
Group materiality as % of caption	<b>0.7%</b>	0.7%	<b>5.6%</b>	5.6%	<b>0.5%</b>	0.5%

<sup>1</sup> The comparative for Total Group revenue and Group PBTCo is on a total operations basis as reported in the FY2024 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.

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

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 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.

We also identified components that required special audit consideration, owing to Group risks relating to revenue and balance sheet irregularities identified in these components respectively.

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:

Component type	Number of components where we performed audit procedures	Range of materiality applied
Quantitatively significant components	2	£3m – £16.5m
Components requiring special audit consideration	2	£1.5m – £2m
Other components where we performed procedures	23	£1.8m – £8m
<b>Total</b>	<b>27</b>	

We involved component auditors in performing the audit work on 26 out of 27 components and the audit of 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. We also performed the audit of the Parent Company.

Our audit procedures covered 71% of Group revenue from continuing operations. We performed audit procedures in relation to components that accounted for 82% of Group PBTCO and 77% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 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
  - i) Revenue data and analytics routines
  - ii) Journal entry analysis
- IT audit involvement over:
  - i) Understanding of information technology environment
  - ii) Test of design and implementation over general IT controls and automated controls
- Controls environment, risk assessment, monitoring and 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.

## KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

**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 five 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 and revenue recognition.

## 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.



KPMG LLP'S INDEPENDENT AUDITOR'S REPORT CONTINUED

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 is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy;
- the section of the annual report and accounts 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 and accounts 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 103, 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 is in place 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](http://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

22 September 2025

## CONSOLIDATED PRIMARY STATEMENTS

## CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2025				Year ended 31 July 2024 – represented*			
Notes	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m	
<b>CONTINUING OPERATIONS</b>							
Revenue	1	2,915	–	2,915	2,778	–	2,778
Operating costs	2	(2,410)	(95)	(2,505)	(2,301)	(108)	(2,409)
<b>Operating profit/(loss)</b>	1	<b>505</b>	<b>(95)</b>	<b>410</b>	<b>477</b>	<b>(108)</b>	<b>369</b>
Interest income	4	40	–	40	26	–	26
Interest expense	4	(71)	4	(67)	(63)	–	(63)
Other financing losses	4	–	(11)	(11)	–	(11)	(11)
Other finance income – retirement benefits	4	–	3	3	–	6	6
Finance costs	4	(31)	(4)	(35)	(37)	(5)	(42)
<b>Profit/(loss) before taxation</b>		<b>474</b>	<b>(99)</b>	<b>375</b>	<b>440</b>	<b>(113)</b>	<b>327</b>
Taxation	6	(119)	20	(99)	(109)	4	(105)
<b>Profit/(loss) for the year</b>		<b>355</b>	<b>(79)</b>	<b>276</b>	<b>331</b>	<b>(109)</b>	<b>222</b>
<b>DISCONTINUED OPERATIONS</b>							
Profit from discontinued operations	28	57	(41)	16	35	(6)	29
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>412</b>	<b>(120)</b>	<b>292</b>	<b>366</b>	<b>(115)</b>	<b>251</b>
<b>Profit/(loss) for the year attributable to:</b>							
Smiths Group shareholders – continuing operations		353	(79)	274	330	(109)	221
Smiths Group shareholders – discontinued operations		57	(41)	16	35	(6)	29
Non-controlling interests		2	–	2	1	–	1
		<b>412</b>	<b>(120)</b>	<b>292</b>	<b>366</b>	<b>(115)</b>	<b>251</b>
<b>EARNINGS PER SHARE</b>							
Basic			85.7p				72.3p
Basic – continuing			81.0p				63.9p
Diluted			85.3p				72.0p
Diluted – continuing			80.6p				63.7p

\* Results for the year ended 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

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 133 to 179, which form an integral part of the consolidated accounts.



## CONSOLIDATED PRIMARY STATEMENTS CONTINUED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
<b>PROFIT FOR THE YEAR</b>		<b>292</b>	<b>251</b>
<b>Other comprehensive income (OCI)</b>			
<b>OCI which will not be reclassified to the income statement:</b>			
Re-measurement of retirement benefit assets and obligations	8	(3)	(66)
Taxation on post-retirement benefit movements	6	–	17
Fair value movements on financial assets at fair value through OCI	14	8	(105)
		5	(154)
<b>OCI which will be reclassified and reclassifications:</b>			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		(1)	4
– reclassified to income statement on cash-flow and net investment hedges		2	–
		1	4
<b>Foreign exchange (FX) movements:</b>			
Exchange losses on translation of foreign operations		(35)	(33)
<b>Total other comprehensive income, net of taxation</b>		<b>(29)</b>	<b>(183)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>263</b>	<b>68</b>
<b>Attributable to:</b>			
Smiths Group shareholders		261	68
Non-controlling interests		2	–
		<b>263</b>	<b>68</b>
<b>Total comprehensive income attributable to Smiths Group shareholders arising from:</b>			
Continuing operations		254	41
Discontinued operations		7	27
		<b>261</b>	<b>68</b>

\* Results for the year ended 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.



## CONSOLIDATED PRIMARY STATEMENTS CONTINUED

## CONSOLIDATED BALANCE SHEET

	Notes	31 July 2025 £m	31 July 2024 £m
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	1,284	1,521
Property, plant and equipment	12	244	270
Right of use assets	13	99	110
Financial assets – other investments	14	6	53
Retirement benefit assets	8	128	132
Deferred tax assets	6	98	94
Trade and other receivables	16	90	96
Financial derivatives	20	10	–
		<b>1,959</b>	<b>2,276</b>
<b>CURRENT ASSETS</b>			
Inventories	15	586	643
Current tax receivable	6	20	24
Trade and other receivables	16	737	826
Cash and cash equivalents	18	195	459
Financial derivatives	20	7	4
Assets held for sale	28	507	–
		<b>2,052</b>	<b>1,956</b>
<b>TOTAL ASSETS</b>		<b>4,011</b>	<b>4,232</b>
<b>CURRENT LIABILITIES</b>			
Financial liabilities – borrowings	18	(3)	(2)
Financial liabilities – lease liabilities	18	(29)	(32)
Financial liabilities – financial derivatives	20	(2)	(4)
Provisions	23	(56)	(75)
Trade and other payables	17	(679)	(764)
Current tax payable	6	(66)	(70)
Liabilities held for sale	28	(106)	–
		<b>(941)</b>	<b>(947)</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities – borrowings	18	(556)	(534)
Financial liabilities – lease liabilities	18	(79)	(91)
Financial liabilities – financial derivatives	20	–	(13)
Provisions	23	(198)	(219)
Retirement benefit obligations	8	(96)	(103)
Deferred tax liabilities	6	(43)	(32)
Trade and other payables	17	(38)	(41)
		<b>(1,010)</b>	<b>(1,033)</b>
<b>TOTAL LIABILITIES</b>		<b>(1,951)</b>	<b>(1,980)</b>
<b>NET ASSETS</b>		<b>2,060</b>	<b>2,252</b>

	Notes	31 July 2025 £m	31 July 2024 £m
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	24	124	130
Share premium account		365	365
Capital redemption reserve	26	31	25
Merger reserve	26	235	235
Cumulative translation adjustments		317	353
Retained earnings		1,147	1,306
Hedge reserve	26	(183)	(184)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>2,036</b>	<b>2,230</b>
Non-controlling interest equity	26	24	22
<b>TOTAL EQUITY</b>		<b>2,060</b>	<b>2,252</b>

The accounts on pages 119 to 179 were approved by the Board of Directors on 22 September 2025 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 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
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>(36)</b>	<b>296</b>	<b>1</b>	<b>261</b>	<b>2</b>	<b>263</b>
<b>Transactions relating to ownership interests:</b>									
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
<b>At 31 July 2025</b>		<b>489</b>	<b>266</b>	<b>317</b>	<b>1,147</b>	<b>(183)</b>	<b>2,036</b>	<b>24</b>	<b>2,060</b>
	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 2023		496	259	386	1,431	(188)	2,384	22	2,406
Profit for the year		–	–	–	250	–	250	1	251
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(49)	–	(49)	–	(49)
– FX movements net of recycling		–	–	(33)	1	–	(32)	(1)	(33)
– fair value gains and related tax		–	–	–	(105)	4	(101)	–	(101)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>(33)</b>	<b>97</b>	<b>4</b>	<b>68</b>	<b>–</b>	<b>68</b>
<b>Transactions relating to ownership interests:</b>									
Purchase of shares by Employee Benefit Trust		–	–	–	(20)	–	(20)	–	(20)
Proceeds received on exercise of employee share options		–	–	–	4	–	4	–	4
Share buybacks	24	(1)	1	–	(70)	–	(70)	–	(70)
Dividends:									
– equity shareholders	25	–	–	–	(147)	–	(147)	–	(147)
Share-based payment	9	–	–	–	11	–	11	–	11
<b>At 31 July 2024</b>		<b>495</b>	<b>260</b>	<b>353</b>	<b>1,306</b>	<b>(184)</b>	<b>2,230</b>	<b>22</b>	<b>2,252</b>





## CONSOLIDATED PRIMARY STATEMENTS CONTINUED

## CONSOLIDATED CASH-FLOW STATEMENT

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Net cash inflow from operating activities</b>	29	<b>456</b>	<b>418</b>
<b>CASH-FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditure on capitalised development		(4)	(14)
Expenditure on other intangible assets		(4)	(4)
Purchases of property, plant and equipment		(72)	(68)
Disposal of financial assets		53	190
Acquisition of businesses (net of £9m of cash acquired with businesses)		(121)	(65)
Disposal of subsidiaries – post-sale expenses		(12)	–
<b>Net cash-flow used in investing activities</b>		<b>(160)</b>	<b>39</b>
<b>CASH-FLOWS FROM FINANCING ACTIVITIES</b>			
Share buybacks	24	(303)	(70)
Purchase of shares by Employee Benefit Trust	26	(23)	(20)
Proceeds received on exercise of employee share options		1	4
Settlement of cash-settled options		(1)	(2)
Dividends paid to equity shareholders	25	(152)	(147)
Lease payments		(41)	(39)
Cash inflow from matured derivative financial instruments		2	5
<b>Net cash-flow used in financing activities</b>		<b>(517)</b>	<b>(269)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(221)</b>	<b>188</b>
Cash and cash equivalents at beginning of year		459	285
Reclassified to assets held for sale		(31)	–
Foreign exchange rate movements		(12)	(14)
<b>Cash and cash equivalents at end of year</b>	18	<b>195</b>	<b>459</b>
<b>Cash and cash equivalents at end of year comprise:</b>			
– cash at bank and in hand		102	123
– short-term deposits		93	336
		<b>195</b>	<b>459</b>

**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 60 to 62, 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 and our undrawn £200m Revolving Credit Facility which matures in June 2027. 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 46 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 2024 to 31 July 2025 (FY2025) with comparative figures from 1 August 2023 to 31 July 2024 (FY2024).

**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**

The Group acquired three businesses during FY2025, Wattco, Inc., Modular Metal and Duc-Pac. 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 engages third party specialists to assist with the valuation of acquired intangible assets. 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, the relief from royalty method and the cost savings method. In FY2025, third party specialists were engaged to assist with the valuation of the Wattco, Inc. and Modular Metal acquisitions, see note 27 for further information.

**Impairment reviews of intangible assets**

In carrying out impairment reviews of intangible assets, a number of significant assumptions have to be made when preparing cash-flow projections to determine the value in use of the asset or cash generating unit (CGU). These include the future rate of market growth, discount rates, the market demand for the products acquired, the future profitability of acquired businesses or products, levels of reimbursement, and success in obtaining regulatory approvals. If actual results differ or changes in expectations arise, impairment charges may be required which would adversely impact operating results.

Critical estimates, and the effect of variances in these estimates, are disclosed in note 11.

**Retirement benefits**

Determining the value of the future defined benefit obligation involves significant estimates in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. The Group uses previous experience and independent actuarial advice to select the values for critical estimates. A portion of UK pension liabilities are insured via bulk annuity policies that match all or part of the scheme obligation to identified groups of pensioners. These assets are valued by an external qualified actuary at the actuarial valuation of the corresponding liability, reflecting this matching relationship.

**ACCOUNTING POLICIES CONTINUED**

The Group's principal defined benefit pension plans are in the UK and the US and these have been closed so that no future benefits are accrued. Critical estimates for these plans, and the effect of variances in these estimates, are disclosed in note 8.

**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 £191m (FY2024: £220m) 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.

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 £35m (FY2024: £44m), 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 FY2025 the Group has applied judgement on the identification of specific intangible assets on the Wattco, Inc, Modular Metal and Duc-Pac business acquisitions, see note 27 for further information. These include items such as brand names, customer lists and non-compete agreements, to which value is first attributed at the time of acquisition. Judgement is also applied in determining the value of the acquisition consideration, where the consideration is contingent on the post-acquisition performance of the business a probability weighted expected return model is used to determine fair value.

In FY2025, appropriate professional advice has been sought on the allocation of value for the Wattco, Inc and Modular Metal acquisitions.

**Retirement benefits**

At 31 July 2025 the Group has recognised £128m of retirement benefit assets (FY2024: £132m) and a net pension asset of £32m (FY2024: £29m), principally relating to the Smiths Industries Pension Scheme (SIPS), which arises from the rights of the employers to recover the surplus at the end of the life of the scheme.

The recognition of this surplus is a significant judgement. There is a judgement required in determining whether an unconditional right of refund exists based on the provision of the relevant Trust deed and rules. Having taken legal advice with regard to the rights of the Company under the relevant Trust deed and rules, it has been determined that an unconditional right of refund does exist and therefore the surplus is recoverable by the Company and can be recognised.

**Capitalisation of development costs**

Expenditure incurred in the development of major new products is capitalised as internally generated intangible assets only when it has been judged that strict criteria are met, specifically in relation to the products' technical feasibility and commercial viability (the ability to generate probable future economic benefits).

The assessment of technical feasibility and future commercial viability of development projects requires significant judgement and the use of assumptions. Key judgements made in the assessment of future commercial viability include:

- Scope of work to achieve regulatory clearance (where required) – including the level of testing evidence and documentation;
- Competitor activity – including the impact of potential competitor product launches on the marketplace and customer demand; and
- Launch timeline – including time and resource required to establish and support the commercial launch of a new product.

**ACCOUNTING POLICIES CONTINUED****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 the Smiths Interconnect and Smiths Detection divestments**

Following the Group's announcement on the planned strategic moves to separate the Smiths Interconnect and Smiths Detection businesses, judgement is required to determine the most appropriate financial reporting treatment of these businesses and their performance.

**Smiths Interconnect**

Management has determined that sufficient progress has been achieved on the project to sell the Smiths Interconnect business to meet the criteria for classification as discontinued and held for sale.

The key judgement for this reclassification is that the following conditions were met at the balance sheet date:

- 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 from the date of classification.

Following this reclassification, the results of Smiths Interconnect are presented as profit from discontinued operations in FY2025 and FY2024 and its assets and liabilities reported in assets and liabilities held for sale in FY2025; please see note 28 for further details.

**Smiths Detection**

Management has determined that the progress achieved by the balance sheet date on the twin track project to divest the Smiths Detection business was not sufficient to fully meet the criteria for classification as a discontinued operation or held for sale / held for distribution to owners.

Therefore the results of Smiths Detection continue to be presented within continuing operations on the consolidated income statement and the assets and liabilities of the Smiths Detection business are not separately reported on the consolidated balance sheet.

**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.

**Other estimates and judgements****Revenue recognition**

Revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations.

Smiths Detection, Smiths Interconnect and Flex-Tek have multi-year contractual arrangements for the sale of goods and services. Where these contracts have separately identifiable components with distinct patterns of delivery and customer acceptance, revenue is accounted for separately for each identifiable component.

The Group enters into certain contracts for agreed fees that are performed across more than one accounting period and revenue is recognised over time. Estimates are required at the balance sheet date when determining the stage of completion of the contract activity. This assessment requires the expected total costs of the contract and the remaining costs to complete the contract to be estimated.

At 31 July 2025, the Group held contracts with a total value of £158m (2024: £195m), of which £114m (2024: £131m) had been delivered and £44m (2024: £64m) remains fully or partially unsatisfied. £36m of the unsatisfied amount is expected to be recognised in the coming year, with the remainder being recognised within two years. A 20% increase in the remaining cost to complete the contracts would have reduced Group revenue and operating profit in the current year by less than £7m (2024: £9m).

**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 194 to 199.

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.

**ACCOUNTING POLICIES CONTINUED**

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 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.

**ACCOUNTING POLICIES CONTINUED**

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, training, software hosting and maintenance, 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;
- Training services are recognised on completion of the training course;
- Software hosting and maintenance services are recognised rateably over the life of the contract;
- 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.

**Customer funded R&D**

Customer funded R&D relates to specific contracts whereby a third party, e.g. government or commercial customer, has requested for the development of a new product and they will fund the project.

The work carried out for the customer is expensed through cost of sales. Once the performance obligations have been recognised as per IFRS 15, this is classified as revenue.

**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



**ACCOUNTING POLICIES CONTINUED**

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.

**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.

**ACCOUNTING POLICIES CONTINUED**

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.

**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 and contract assets 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.

**ACCOUNTING POLICIES CONTINUED**

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 a separate major line of business, 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 co-ordinated 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.

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 and interest rates 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.

**ACCOUNTING POLICIES CONTINUED**

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, 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 2025**

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the previous financial year.

The following amendments to IFRS were in effect during the reporting period ended 31 July 2025 that are potentially relevant to the Group, and which have not been applied in these financial statements:

- Amendment to IAS 7 and IFRS 7 – Supplier finance arrangements

Management have reviewed the supplier finance arrangements in effect around the Group and determined that there is no material impact on the consolidated financial statements or the Group's liquidity risk.

**New standards and interpretations not yet adopted**

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 21 – Lack of Exchangeability
- Amendments to IFRS 7 and IFRS 9 – Classification and measurement of financial instruments and for Power Purchase Agreements
- IFRS 18 – Presentation and Disclosures in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The Group has yet to assess the full outcome of these new standards, amendments and interpretations, however with the exception of IFRS 18 these other new standards, amendments and interpretations are not expected to have a significant impact on the Group's financial statements. The Group intends to adopt these new standards, amendments and interpretations, if applicable, when they become effective.

**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 186 to 193. 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 four major business segments: John Crane; Flex-Tek; Smiths Detection; and Smiths Interconnect. These business segments design, manufacture and support the following products:

- **John Crane** – mechanical seals, seal support systems, power transmission couplings and specialised filtration systems;
- **Flex-Tek** – engineered components, flexible hosing and rigid tubing that heat and move fluids and gases;
- **Smiths Detection** – sensors and systems that detect and identify explosives, narcotics, weapons, chemical agents, biohazards and contraband; and
- **Smiths Interconnect** – specialised electronic and radio frequency board-level and waveguide devices, connectors, cables, test sockets and sub-systems used in high-speed, high-reliability, secure connectivity applications.

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.

Following the reclassification of the Smiths Interconnect business as a discontinued operation, the segmental information of Smiths Interconnect is disclosed in note 28.

Intersegment sales and transfers are charged at arm's length prices.

## Segment trading performance

	Year ended 31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate costs £m	Total £m
Revenue	1,115	837	963	–	2,915
Segmental headline operating profit	265	164	122	–	551
Corporate headline operating costs	–	–	–	(46)	(46)
<b>Headline operating profit/(loss)</b>	<b>265</b>	<b>164</b>	<b>122</b>	<b>(46)</b>	<b>505</b>
Items excluded from headline measures (note 3)	(1)	(45)	(26)	(23)	(95)
<b>Operating profit/(loss)</b>	<b>264</b>	<b>119</b>	<b>96</b>	<b>(69)</b>	<b>410</b>
Headline operating margin	23.8%	19.5%	12.7%		17.3%

Year ended 31 July 2024 – represented\*

	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate costs £m	Total £m
Revenue	1,133	786	859	–	2,778
Segmental headline operating profit	263	161	102	–	526
Corporate headline operating costs	–	–	–	(49)	(49)
<b>Headline operating profit/(loss)</b>	<b>263</b>	<b>161</b>	<b>102</b>	<b>(49)</b>	<b>477</b>
Items excluded from headline measures (note 3)	(34)	(26)	(19)	(29)	(108)
<b>Operating profit/(loss)</b>	<b>229</b>	<b>135</b>	<b>83</b>	<b>(78)</b>	<b>369</b>
Headline operating margin	23.2%	20.5%	11.9%		17.1%

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

Operating profit is stated after charging the following items:

	Year ended 31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	16	9	10	3	<b>38</b>
Depreciation – right of use assets	14	7	9	1	<b>31</b>
Amortisation – capitalised development costs	–	–	10	–	<b>10</b>
Amortisation of software, patents and intellectual property	4	–	9	1	<b>14</b>
Amortisation of acquired intangibles	–	–	–	50	<b>50</b>
Restructuring costs	–	–	–	22	<b>22</b>
Impairment – prior year working capital	–	–	–	15	<b>15</b>
Share-based payment	4	3	3	8	<b>18</b>

## NOTES TO THE ACCOUNTS CONTINUED

	Year ended 31 July 2024 – represented*				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	17	9	11	–	<b>37</b>
Depreciation – right of use assets	15	7	8	1	<b>31</b>
Amortisation – capitalised development costs	–	–	2	–	<b>2</b>
Amortisation of software, patents and intellectual property	1	–	1	1	<b>3</b>
Amortisation of acquired intangibles	–	–	–	47	<b>47</b>
Share-based payment	3	2	2	5	<b>12</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation, including the allocation of costs between Smiths Interconnect and Flex-Tek.

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 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 projects, other intangibles and investments	185	113	132	11	441
Inventory, trade and other receivables	518	251	622	22	1,413
<b>Segment assets</b>	<b>703</b>	<b>364</b>	<b>754</b>	<b>33</b>	<b>1,854</b>

	31 July 2024					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, development projects, other intangibles and investments	168	103	153	65	61	550
Inventory, trade and other receivables	528	254	612	153	18	1,565
<b>Segment assets</b>	<b>696</b>	<b>357</b>	<b>765</b>	<b>218</b>	<b>79</b>	<b>2,115</b>

Non-headline assets comprise receivables relating to non-headline items, acquisitions & disposals.

## Segment liabilities

	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
<b>Segment liabilities</b>	<b>173</b>	<b>105</b>	<b>374</b>	<b>319</b>	<b>971</b>

	31 July 2024					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Segmental liabilities	202	99	398	59	–	758
Corporate and non-headline liabilities	–	–	–	–	341	341
<b>Segment liabilities</b>	<b>202</b>	<b>99</b>	<b>398</b>	<b>59</b>	<b>341</b>	<b>1,099</b>

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 2025 £m	31 July 2024 £m	31 July 2025 £m	31 July 2024 £m
<b>Segment assets and liabilities</b>	<b>1,854</b>	<b>2,115</b>	<b>(971)</b>	<b>(1,099)</b>
Goodwill and acquired intangibles	1,192	1,404	–	–
Derivatives	17	4	(2)	(17)
Current and deferred tax	118	118	(109)	(102)
Retirement benefit assets and obligations	128	132	(96)	(103)
Cash and borrowings	195	459	(667)	(659)
Assets and liabilities held for sale	507	–	(106)	–
<b>Statutory assets and liabilities</b>	<b>4,011</b>	<b>4,232</b>	<b>(1,951)</b>	<b>(1,980)</b>

## 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 2025	41	13	13	–	<b>67</b>
Capital expenditure year ended 31 July 2024	34	10	28	3	<b>75</b>



## NOTES TO THE ACCOUNTS CONTINUED

## 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 1 August 1998 of £478m (FY2024: £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 2025			
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Total £m
Average segmental capital employed	1,051	689	1,079	<b>2,819</b>
Average capital employed – assets held for sale				<b>447</b>
Average corporate capital employed				<b>(62)</b>
<b>Average total capital employed – continuing operations</b>				<b>3,204</b>

	31 July 2024			
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Total £m
Average segmental capital employed	1,035	606	1,124	<b>2,765</b>
Average capital employed – assets held for sale				<b>472</b>
Average corporate capital employed				<b>(31)</b>
<b>Average total capital employed – continuing operations</b>				<b>3,206</b>

The Smiths Interconnect division has been accounted for as a business held for sale. 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:

John Crane	Original equipment £m	Aftermarket £m	Total £m
Revenue year ended 31 July 2025	322	793	<b>1,115</b>
Revenue year ended 31 July 2024	321	812	<b>1,133</b>

Flex-Tek	Aerospace £m	Industrials £m	Total £m
Revenue year ended 31 July 2025	159	678	<b>837</b>
Revenue year ended 31 July 2024	154	632	<b>786</b>

## Smiths Detection

	Aviation £m	Other detection systems £m	Total £m
Revenue year ended 31 July 2025	715	248	<b>963</b>
Revenue year ended 31 July 2024	595	264	<b>859</b>

John Crane aftermarket sales were £793m (FY2024: £812m) and Smiths Detection aftermarket sales were £488m (FY2024: £443m).

Segmental revenue is analysed by the Smiths Group key global markets as follows:

	General Industrial £m	Safety & Security £m	Energy £m	Aerospace & Defence £m	Total £m
<b>John Crane revenue</b>					
Revenue year ended 31 July 2025	413	–	702	–	<b>1,115</b>
Revenue year ended 31 July 2024	407	–	726	–	<b>1,133</b>

<b>Flex-Tek revenue</b>					
Revenue year ended 31 July 2025	678	–	–	159	<b>837</b>
Revenue year ended 31 July 2024	632	–	–	154	<b>786</b>

<b>Smiths Detection revenue</b>					
Revenue year ended 31 July 2025	–	963	–	–	<b>963</b>
Revenue year ended 31 July 2024	–	859	–	–	<b>859</b>

<b>Total revenue</b>					
Revenue year ended 31 July 2025	1,091	963	702	159	<b>2,915</b>
Revenue year ended 31 July 2024 – represented*	1,039	859	726	154	<b>2,778</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

## NOTES TO THE ACCOUNTS CONTINUED

The Group's statutory revenue is analysed as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Sale of goods recognised at a point in time	2,080	1,962
Sale of goods recognised over time	10	11
Services recognised over time	825	805
	<b>2,915</b>	<b>2,778</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

## 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 2025	1,616	529	435	335	<b>2,915</b>
Revenue year ended 31 July 2024 – represented	1,494	541	421	322	<b>2,778</b>

## 31 July 2025 – non-current operating assets by geographical location:

Intangible assets	794	476	14	–	<b>1,284</b>
Property, plant and equipment	140	61	23	20	<b>244</b>
Right of use assets	51	33	10	5	<b>99</b>
Other receivables	56	22	1	5	<b>84</b>
Non-current operating assets	<b>1,041</b>	<b>592</b>	<b>48</b>	<b>30</b>	<b>1,711</b>

## 31 July 2024 represented\* – non-current operating assets by geographical location:

Intangible assets	1,045	462	14	–	<b>1,521</b>
Property, plant and equipment	162	63	29	16	<b>270</b>
Right of use assets	55	38	12	5	<b>110</b>
Other receivables	56	17	–	14	<b>87</b>
Non-current operating assets – restated	<b>1,318</b>	<b>580</b>	<b>55</b>	<b>35</b>	<b>1,988</b>

\* The FRC's review of the Group's FY2024 annual report and accounts identified a small number of reporting improvement matters. Following the FRC's review, the non-current operating assets by geographical location disclosure has been represented to fully align with the disclosure requirements of IFRS 8, and the total has been restated to include non-current assets not previously reported.

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 £107m (FY2024: £108m). Other revenue found to be significant included, the United States of America, totalling £1,324m (FY2024: £1,217m), China (excluding Hong Kong) £112m (FY2024: £119m) and Canada £130m (FY2024: £113m). 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 £180m (FY2024: £171m). Significant non-current assets held in the United States of America £902m (FY2024: £1,245m) and Germany £370m (FY2024: £360m).

## 2. Operating costs

The Group's operating costs for continuing operations are analysed as follows:

	Year ended 31 July 2025			Year ended 31 July 2024 – 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	1,839	–	1,839	1,742	–	1,742
Selling costs	194	–	194	200	–	200
Administrative expenses	379	95	474	361	108	469
Research and development tax credits	(2)	–	(2)	(2)	–	(2)
<b>Total</b>	<b>2,410</b>	<b>95</b>	<b>2,505</b>	<b>2,301</b>	<b>108</b>	<b>2,409</b>

## Operating profit is stated after charging:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Research, development and customer-specific engineering expense	96	94
Depreciation of property, plant and equipment	38	37
Depreciation of right of use assets	31	31
Amortisation of intangible assets	74	53

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation and the changes in definition of research, development and customer-specific engineering (RD&E) which is defined in note 30 of the accounts.

RD&E cash costs were £117m (FY2024: £128m) comprising £96m (FY2024: £94m) of RD&E expensed to the income statement, £4m (FY2024: £14m) of capitalised costs and £17m (FY2024: £20m) of customer-funded R&D.

Administrative expenses include £1m (FY2024: £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 2025.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Audit services</b>		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	2.5	2.8
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	3.5	3.6
	<b>6.0</b>	<b>6.4</b>
Audit related assurance services (i)	2.1	0.4
Other assurance services (ii)	0.2	0.1
<b>Total fees</b>	<b>8.3</b>	<b>6.9</b>

(i) Audit related assurance services includes £0.4m (FY2024: £0.4m) for review of interim report and £1.7m (FY2024: £nil) for services delivered in FY2025 related to the reporting accountant engagement in respect of the historical financial information of the Detection business of the Group. This engagement is required by regulation and supports the Company in fulfilling its legal obligations under UK law. Accordingly, the related fees have been excluded from the calculation of non-audit services as a percentage of audit fees calculated below.

(ii) Other assurance services include £0.1m (FY2024: £0.1m) for limited assurance over the Group's Scope 1–3 greenhouse gas emissions metrics and £0.1m (FY2024: nil) for services related to the reestablishment of the Euro Medium Term Note (EMTN) programme.

Total fees for non-audit services comprise 10% (FY2024: 8%) of audit fees, as noted above in 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 2025 £m	Year ended 31 July 2024 represented* £m
<b>Acquisition and disposal related costs</b>			
Detection separation costs		(10)	–
Post-acquisition integration costs and fair value adjustment unwind		(4)	(3)
Fair value movement on contingent consideration		4	(13)
Loss on disposal of financial asset		(3)	(9)
Business acquisition costs and related expenses		(2)	(4)
<b>Legacy pension scheme arrangements</b>			
Scheme administration costs	8	(4)	(6)
Past service costs for benefit equalisation	8	–	(4)
<b>Non-headline provision movements</b>			
Environmental remediation provision		(2)	–
Provision held against Titeflex Corporation subrogation claims	23	5	5
Provision for John Crane, Inc. asbestos litigation	23	12	(29)
Cost recovery for John Crane, Inc. asbestos litigation		1	3
<b>Other items</b>			
Corporate restructuring costs		(22)	–
Impairment of prior year working capital balances		(15)	–
Cyber incident remediation costs		(4)	–
Amortisation of acquired intangible assets	10	(50)	(47)
Funding of charitable foundation		(1)	(1)
<b>Non-headline items in operating profit – continuing operations</b>		<b>(95)</b>	<b>(108)</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

**Acquisition and disposal related costs**

Detection separation costs amounted to £10m (FY2024: £nil); this represents the incremental costs incurred by the Group to demerge/sell 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.

The £4m (FY2024: £3m) of post-acquisition integration costs and fair value adjustment unwind principally relate to Flex-Tek's recent corporate acquisitions. These include £2m of defined project costs for the integration of these businesses into the existing Flex-Tek business and a £2m expense for unwinding the acquisition balance sheet fair value adjustments required by IFRS 3 'Business combinations'. These have been recognised as non-headline as the charge did not relate to trading activity.

**NOTES TO THE ACCOUNTS CONTINUED**

The £4m current year fair value gain on contingent consideration is attributable to the revaluation of deferred contingent consideration payable on Flex-Tek's recent acquisitions. The prior year £13m loss related to the write down of the remaining fair value of the Group's contingent consideration from the sale of Smiths Medical. These are considered to be a non-headline item on the basis that these fair value charges do not relate to trading activity.

The £3m loss (FY2024: £9m) on disposal of financial asset relates 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.

The £2m (FY2024: £4m) 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 £4m (FY2024: £6m) relate to the TIGPS legacy pension scheme and SIPS 'path to buy-in' costs. As the Group is not anticipating receiving a refund from the scheme, an economic benefit value of zero has been placed on the TIGPS surplus. 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.

The prior year £4m credit for past service costs for benefit equalisation represents the recognition of additional Smith Industries Pension Scheme (SIPS) liabilities following the agreement of new methodologies to achieve Guaranteed Minimum Pension (GMP) equalisation retirement benefits for men and women.

**Non-headline provision movements**

In the current year a £2m (FY2024: £nil) environmental provision has been raised for the present value of the costs that the Group's Flex-Tek division is required to incur to remediate a legacy environment contamination at one of its US sites. The provision made in the current year on the receipt of a reliable estimate of the amount of the obligation. The provision is considered to be non-headline as it is due to a legacy site contamination, that arose prior to the Smiths Group ownership, and do not relate to current trading activity.

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 £5m credit (FY2024: £5m credit) recognised by Titeflex Corporation was principally driven by a reduction in the number of expected claims. See note 23 for further details; and
- The £12m credit (FY2024: £29m charge) 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 FY2025 £1m (FY2024: £3m) of asbestos litigation costs were recovered by John Crane, Inc. via insurer settlements.

**Other items**

Corporate restructuring costs of £22m (FY2024: £nil) 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.

Following a balance sheet investigation at a stand-alone Flex-Tek US industrial business, certain non-material working capital balances were identified as overstated and have been impaired. A £15m impairment charge has been recognised, in FY2025, against working capital balances in relation to matters relating to prior years. It has been recognised as a non-headline item as the charge is a significant non-recurring item that relates to multiple prior years.

At the end of January 2025 the Group incurred a cyber security incident that involved unauthorised access to the Company's systems. £4m of remediation costs have been incurred in the current year, these 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 £50m (FY2024: £47m) 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 £1m funding of charitable foundation charge is the FY2025 funding (FY2024: £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.

**Non-headline finance costs items**

The non-headline items included in finance costs for continuing operations were as follows:

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented £m
Unwind of discount on provisions	23	(9)	(9)
Unwind of discount on other payables		(1)	–
Other finance income – retirement benefits	8	3	6
Release of interest payment on overdue VAT		4	–
Other sundry financing losses		(1)	(2)
<b>Non-headline items in finance costs – continuing operations</b>		<b>(4)</b>	<b>(5)</b>
<b>Continuing operations – non-headline loss before taxation</b>		<b>(99)</b>	<b>(113)</b>

The financing elements of non-headline legacy liabilities, including the £10m (FY2024: £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 £3m (FY2024: £6m) 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.

## NOTES TO THE ACCOUNTS CONTINUED

The £4m release of interest payable on overdue VAT relates to a historic classification error on chain export transactions.

**Non-headline taxation credit**

The non-headline items included in taxation for continuing operations were as follows:

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented £m
Tax credit on non-headline loss	6	23	23
Increase in unrecognised UK deferred tax asset	6	(3)	(19)
<b>Non-headline taxation credit – continuing operations</b>		<b>20</b>	<b>4</b>
<b>Continuing operations – non-headline loss for the year</b>		<b>(79)</b>	<b>(109)</b>

**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 2025 £m	Year ended 31 July 2024 £m
Impairment loss on reclassification to held for sale		(30)	–
Interconnect separation costs		(8)	–
Amortisation of acquisition related intangible assets		(2)	(2)
Business acquisition costs and related expenses		–	(1)
Tax on non-headline loss		(1)	(3)
<b>Non-headline items in profit – discontinued operations</b>		<b>(41)</b>	<b>(6)</b>
<b>Loss for the year – non headline items for continuing and discontinued operations</b>		<b>(120)</b>	<b>(115)</b>

In June 2025 Interconnect agreed to sell its US sub-systems business. The business has been reclassified as held for sale and the £37m carrying value of its net assets have been impaired to their fair value less costs to sell of £7m. This has resulted in a £30m impairment loss being recognised.

Interconnect separation costs amounted to £8m (FY2024: £nil); this represents the incremental costs incurred by the Group to sell the Smiths Interconnect business. These costs have been reported as non-headline as they were both material and non-recurring.

Acquisition related intangible asset amortisation costs of £2m (FY2024: £2m) 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.

**4. Net finance costs**

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
<b>Interest income</b>		<b>40</b>	<b>26</b>
Interest expense:			
– bank loans and overdrafts, including associated fees		(52)	(46)
– other loans		(12)	(12)
– interest on leases		(6)	(5)
– interest on uncertain tax provisions		(1)	–
<b>Interest expense</b>		<b>(71)</b>	<b>(63)</b>
<b>Headline net finance costs</b>		<b>(31)</b>	<b>(37)</b>
Other financing (losses)/gains:			
– valuation movements on fair value hedged debt		(13)	5
– valuation movements on fair value derivatives		15	(5)
– foreign exchange and ineffectiveness on net investment hedges		(3)	(2)
– unwind of discount on provisions and other payables	3	(10)	(9)
<b>Other financing losses</b>		<b>(11)</b>	<b>(11)</b>
Other non-headline finance cost items:			
– release of interest payment on overdue VAT		4	–
– other finance income – Interest on retirement benefits	8	3	6
<b>Other non-headline finance cost items</b>		<b>7</b>	<b>6</b>
<b>Net finance costs</b>		<b>(35)</b>	<b>(42)</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.



## 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 2025 £m	Year ended 31 July 2024 represented* £m
Profit attributable to equity shareholders for the year:		
– continuing	274	221
– discontinued	16	29
<b>Total</b>	<b>290</b>	<b>250</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

	Year ended 31 July 2025 Number of shares	Year ended 31 July 2024 Number of shares
Number of shares in issue, net of shares held in Employee Benefit Trust:		
Weighted average number for basic earnings per share	338,390,299	345,901,957
Adjustment for potentially dilutive shares	1,576,039	1,389,223
<b>Weighted average number for diluted earnings per share</b>	<b>339,966,338</b>	<b>347,291,180</b>

Nil options (FY2024: nil) were excluded from this calculation because their effect was anti-dilutive.

	Year ended 31 July 2025 pence	Year ended 31 July 2024 represented pence
Statutory earnings per share total – basic	85.7p	72.3p
Statutory earnings per share total – diluted	85.3p	72.0p
Statutory earnings per share continuing operations – basic	81.0p	63.9p
Statutory earnings per share continuing operations – diluted	80.6p	63.7p

A reconciliation of statutory and headline earnings per share is as follows:

	Year ended 31 July 2025			Year ended 31 July 2024 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	290	85.7p	85.3p	250	72.3p	72.0p
Exclude: Non-headline items (note 3)	120			115		
<b>Headline earnings per share</b>	<b>410</b>	<b>121.2p</b>	<b>120.6p</b>	<b>365</b>	<b>105.5p</b>	<b>105.2p</b>
Profit from continuing operations attributable to equity shareholders of the Parent Company	274	81.0p	80.6p	221	63.9p	63.7p
Exclude: Non-headline items (note 3)	79			109		
<b>Headline earnings per share – continuing operations</b>	<b>353</b>	<b>104.3p</b>	<b>103.8p</b>	<b>330</b>	<b>95.4p</b>	<b>95.1p</b>

## 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 2025 £m	Year ended 31 July 2024 represented* £m
The taxation charge in the consolidated income statement for the year comprises:		
<b>Continuing operations</b>		
Current taxation:		
– current income tax charge	98	101
– current tax adjustments in respect of prior periods	–	2
<b>Current taxation</b>	<b>98</b>	<b>103</b>
Deferred taxation	1	2
<b>Total taxation expense – continuing operations</b>	<b>99</b>	<b>105</b>

<b>Discontinued operations</b>		
Current taxation:		
– current income tax charge	19	12
– deferred taxation	–	4
<b>Total taxation expense – discontinued operations</b>	<b>19</b>	<b>16</b>

<b>Analysed as:</b>		
Headline taxation expense	137	122
Non-headline taxation credit	(19)	(1)
<b>Total taxation expense in the consolidated income statement</b>	<b>118</b>	<b>121</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Tax on items credited to equity</b>		
Deferred tax:		
– share based payments	(1)	–
– retirement benefit schemes	–	(17)
Taxation on retirement benefit movements	(1)	(17)

The FY2024: £17m credit to equity for retirement benefit schemes principally related to UK retirement schemes.



## NOTES TO THE ACCOUNTS CONTINUED

## Current taxation liabilities

	Current tax £m
<b>At 31 July 2023</b>	<b>(30)</b>
Charge to income statement	(115)
Tax paid	99
<b>At 31 July 2024</b>	<b>(46)</b>
<b>Comprising:</b>	
Current tax receivable	24
Current tax payable within one year	(70)
<b>At 31 July 2024</b>	<b>(46)</b>
Charge to income statement – continuing operations	(98)
Charge to income statement – discontinued operations	(19)
Tax paid	113
Transfer to held for sale	4
<b>At 31 July 2025</b>	<b>(46)</b>
<b>Comprising:</b>	
Current tax receivable	20
Current tax payable within one year	(66)
<b>At 31 July 2025</b>	<b>(46)</b>

Total provisions for tax liabilities amount to £35m of which £30m relates to current tax (FY2024: total £44m, current tax £39m). 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 £119m (FY2024: £109m) represents an effective rate of 25.0% (FY2024: 25.0%).

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 FY2025 of 25.0% (FY2024: 25.0%). The differences are reconciled as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
<b>Profit before taxation</b>	<b>375</b>	<b>327</b>
Notional taxation expense at UK corporate rate of 25.0% (FY2024: 25%)	94	82
Different tax rates on non-UK profits and losses	(6)	(5)
Non-deductible expenses and other charges	21	19
Tax credits and non-taxable income	(10)	(6)
Non-headline UK deferred tax asset recognition adjustment	3	19
Other adjustments to unrecognised deferred tax	(5)	(6)
Prior year true-up	2	2
Taxation on continuing operations	<b>99</b>	<b>105</b>
Taxation on discontinued operations	<b>19</b>	<b>16</b>
<b>Total taxation expense in the consolidated income statement</b>	<b>118</b>	<b>121</b>
<b>Comprising:</b>		
Taxation on headline profit	119	109
Non-headline taxation items:		
– Tax credit on non-headline loss	(23)	(23)
– UK deferred tax asset recognition adjustment	3	19
Taxation on non-headline items	(20)	(4)
Taxation on discontinued operations	19	16
<b>Total taxation expense in the consolidated income statement</b>	<b>118</b>	<b>121</b>

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
<b>At 31 July 2023</b>	<b>(86)</b>	<b>(25)</b>	<b>75</b>	<b>66</b>	<b>22</b>	<b>52</b>
Reallocations	(9)	(1)	5	–	5	–
Charge to income statement – continuing operations	16	(2)	(15)	4	(9)	(6)
Charge to income statement – discontinued operations						
Credit to equity	–	17	–	–	–	17
Foreign exchange rate movements	–	(1)	–	1	(1)	(1)
<b>At 31 July 2024</b>	<b>(79)</b>	<b>(12)</b>	<b>65</b>	<b>71</b>	<b>17</b>	<b>62</b>
<b>Comprising:</b>						
Deferred tax assets	(9)	(15)	31	63	24	94
Deferred tax liabilities	(70)	3	34	8	(7)	(32)
<b>At 31 July 2024</b>	<b>(79)</b>	<b>(12)</b>	<b>65</b>	<b>71</b>	<b>17</b>	<b>62</b>
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)
Transfer to held for sale	18	–	(9)	(2)	(2)	5
<b>At 31 July 2025</b>	<b>(58)</b>	<b>(12)</b>	<b>48</b>	<b>64</b>	<b>13</b>	<b>55</b>
<b>Comprising:</b>						
Deferred tax assets	(12)	(15)	28	60	37	98
Deferred tax liabilities	(46)	3	20	4	(24)	(43)
<b>At 31 July 2025</b>	<b>(58)</b>	<b>(12)</b>	<b>48</b>	<b>64</b>	<b>13</b>	<b>55</b>

Of the amounts included within 'Other', shown in the above table, as at 31 July 2025, amounts relating to tax on unremitted earnings were £22m (FY2024: £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 2025 amounted to £nil (FY2024: £nil). Deferred tax attributable to provisions includes £46m (FY2024: £54m) relating to John Crane Inc litigation provision, and £6m (FY2024: £9m) 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 £572m (FY2024: £603m).

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:

	2025 £m	Expiry of losses	2024 £m	Expiry of losses
Unrestricted losses – operating losses	572	No expiry	603	No expiry

Losses with deferred tax unrecognised have increased by £31m (FY2024: £82m increase). This is mainly due to the utilisation of unrecognised losses in Smiths Detection Inc of £42m as it was profitable, offset by an increase in losses in the UK of £14m.

## Developments in the Group tax position

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates and the legislation is effective for the Group's financial year beginning 1 August 2024.

The UK substantively enacted the BEPS Pillar Two global minimum taxes legislation on 20 June 2023, for accounting periods beginning on or after 1 January 2024.

The pillar two charge borne by Smiths Group does not have a material impact on the Group's FY2025 ETR.

## NOTES TO THE ACCOUNTS CONTINUED

## 7. Employees

	Year ended 31 July 2025			Year ended 31 July 2024 represented*		
	Continuing Operations £m	Discontinued Operations £m	Total £m	Continuing Operations £m	Discontinued Operations £m	Total £m
<b>Staff costs during the period</b>						
Wages and salaries	751	114	865	743	101	844
Social security	90	16	106	85	14	99
Share-based payment (note 9)	19	2	21	13	1	14
Pension costs (including defined contribution schemes) (note 8)	33	2	35	33	2	35
<b>Total</b>	<b>893</b>	<b>134</b>	<b>1,027</b>	<b>874</b>	<b>118</b>	<b>992</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

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 2025	Year ended 31 July 2024
John Crane	6,250	6,200
Flex-Tek	4,200	4,050
Smiths Detection	3,500	3,400
Smiths Interconnect	2,650	2,600
Corporate (including central/shared IT services)	350	300
<b>Total</b>	<b>16,950</b>	<b>16,550</b>

**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 91. Further information for the Non-executive Directors is available in the single figure remuneration table on page 97.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Key management compensation</b>		
Salaries and short-term employee benefits	16.3	12.6
Cost of retirement benefits	0.6	0.7
Cost of share-based incentive plans	9.4	3.4

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 2025		Year ended 31 July 2024	
	Number of instruments '000	Weighted average exercise price	Number of instruments '000	Weighted average exercise price
LTIP	1,375		1,389	
SAYE	10	£13.09	11	£13.06

**Related party transactions**

The only related party transactions in FY2025 were key management compensation (FY2024: 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 £33m (FY2024: £31m).

**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 2025. 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 2025 £m	Year ended 31 July 2024 £m
<b>At beginning of period</b>	<b>29</b>	<b>89</b>
Foreign exchange rate movements	–	1
Current service cost	(2)	(4)
Headline scheme administration costs	(2)	(3)
Non-headline scheme administration costs	(4)	(6)
Past service cost, curtailments, settlements – continuing operations	–	(4)
Finance income – retirement benefits	3	6
Contributions by employer	11	16
Actuarial losses	(3)	(66)
<b>Net retirement benefit asset</b>	<b>32</b>	<b>29</b>

## 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 four 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.

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 19 years (FY2024: 20 years) for active deferred members, 16 years (FY2024: 17 years) for deferred members and 9 years (FY2024: 10 years) for pensioners and dependants.

Under the governing documentation of SIPS, any future surplus would be returnable to Smiths Group plc by refund, assuming gradual settlement of the liabilities over the lifetime of the scheme.

In SIPS, as part of ongoing data cleansing work being undertaken to prepare the scheme for a potential full buy-out in the future, a wider review is being carried out to determine if the method used in the early 1990s to equalise retirement ages between men and women was implemented correctly. In FY2024, a liability of £3m was recognised as a past service cost, to reflect the expected impact of data cleansing work for the scheme of £0.4m, as well as an updated cost estimate for the impact of GMP equalisation of £2.6m. Whilst the wider review of scheme data remains on-going, no liabilities have been recognised in FY2025 or are expected to arise in future in respect of data cleansing work.

SIPS uses a Liability Driven Investment (LDI) strategy to hedge against interest and inflation rate changes, which is tested regularly to ensure leverage is appropriate and there is sufficient collateral to withstand any market shocks.

## TI Group Pension Scheme (TIGPS)

This scheme was closed to future accrual effective 1 November 2009. TIGPS provides index-linked (to applicable caps) pension benefits based on final earnings at the date of closure. 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. The trustee is responsible for the management, administration, funding and investment strategy of the scheme.

In June 2022 the TIGPS trustee completed a deal to secure its remaining uninsured pension liabilities, by way of a bulk annuity buy-in with Rothesay Life plc. This means all of the scheme's liabilities are insured via seven buy-in policies. In terms agreed between the Group and the TIGPS trustee prior to the transaction, the trustee will use any surplus remaining, after the costs of buying-out and winding up the scheme have been met, to improve member benefits. The FY2022 income statement recognised a past service cost of £24m in relation to the derecognition of the remaining surplus, though the cost of benefit improvements was not paid until FY2025 and will not be applied to member benefits until FY2026. 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.

As TIGPS currently retains the legal obligation to pay all scheme benefits, TIGPS liabilities remain part of the retirement benefit obligations on the balance sheet alongside the corresponding buy-in assets. These liabilities and assets will be derecognised 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 5 April 2023. The valuation showed a surplus of £44m on the Technical Provisions funding basis at the valuation date and the funding position remains in surplus. Given TIGPS's circumstances, the Group's current expectation is that no further contributions to TIGPS will be required. The next actuarial valuation is due as at 5 April 2026.

**NOTES TO THE ACCOUNTS CONTINUED**

The duration of the TIGPS liabilities is around 17 years (FY2024: 18 years) for active deferred members, 15 years (FY2024: 16 years) for deferred members and 8 years (FY2024: 9 years) for pensioners and dependants.

**US pension plans**

The valuations of the principal US pension and post-retirement healthcare plans were performed using census data at 1 January 2025.

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.

The duration of the liabilities for the largest US plan is around 14 years (FY2024: 15 years) for active deferred members, 13 years (FY2024: 14 years) for deferred members and 9 years (FY2024: 10 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.

Across SIPS and TIGPS, approximately 60% of all liabilities are now de-risked through 11 bulk annuities.

**TIGPS**

TIGPS has covered roughly 100% of liabilities with matching annuities, eliminating investment return, longevity, inflation and funding risks in respect of those liabilities.

**SIPS**

SIPS has covered roughly 33% of liabilities with matching annuities, eliminating investment return, longevity, inflation and funding risks in respect of those liabilities. It has also adopted a LDI strategy to hedge interest and inflation risks of the scheme's uninsured liabilities by investment in gilts together with the use of gilt repurchase arrangements, total return swaps, inflation swaps and interest rate swaps. The strategy also takes into account the scheme's corporate bond investments.

**The critical estimates and principal assumptions used in updating the valuations are set out below:**

	2025 UK	2025 US	2025 Other	2024 UK	2024 US	2024 Other
Rate of increase in salaries	n/a	n/a	0.2%	n/a	n/a	2.8%
Rate of increase for active deferred members	4.1%	n/a	n/a	4.0%	n/a	n/a
Rate of increase in pensions in payment	3.1%	n/a	1.8%	3.3%	n/a	0.5%
Rate of increase in deferred pensions	3.1%	n/a	n/a	3.3%	n/a	n/a
Discount rate	5.6%	5.5%	2.6%	5.0%	5.2%	2.8%
Inflation rate	3.1%	n/a	0.9%	3.3%	n/a	2.1%

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 3.1% has been derived using the Aon UK Government Gilt Prices Only Curve with an Inflation Risk Premium of 0.1% p.a. (FY2024: 0.1%).

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. (FY2024: 0.5%) 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. (FY2024: 0.9%) pre-2030 and 0.1% p.a. post-2030 (FY2024: 0.1%).

**Discount rate assumptions**

The UK schemes use a discount rate based on the annualised yield on the Aon GBP Single Agency Curve, using the expected cash-flows from a notional scheme with obligations of the same duration as that of the UK schemes. This is the same approach as was adopted for FY2024.

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 cash-flows.

## NOTES TO THE ACCOUNTS CONTINUED

**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 2023 CMI projections, with a smoothing factor of 7.0 and 'A' parameter of 0.5%/0.25% (SIPS/TIGPS) and blended to a long-term rate of 1.5%. The CMI projections incorporate allowance for the impact of COVID-19 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 schemes 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.

Expected further years of life	UK schemes			
	Male 31 July 2025	Female 31 July 2025	Male 31 July 2024	Female 31 July 2024
Member who retires next year at age 65	22	24	22	24
Member, currently 45, when they retire in 20 years' time	23	25	23	25

Expected further years of life	US schemes			
	Male 31 July 2025	Female 31 July 2025	Male 31 July 2024	Female 31 July 2024
Member who retires next year at age 65	21	22	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 2025 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 2025 £m	Increase/ (decrease) in scheme assets 31 July 2025 £m	(Increase)/ decrease in scheme liabilities 31 July 2025 £m	Profit before tax for year ended 31 July 2024 £m	Increase/ (decrease) in scheme assets 31 July 2024 £m	(Increase)/ decrease in scheme liabilities 31 July 2024 £m
Rate of mortality – one year increase in life expectancy	(2)	53	(90)	(2)	66	(108)
Rate of mortality – one year decrease in life expectancy	2	(55)	93	2	(67)	110
Rate of inflation – 0.25% increase	(1)	19	(37)	(1)	21	(39)
Discount rate – 0.25% increase	2	(28)	56	2	(33)	65
Market value of scheme assets – 2.5% increase	2	28	–	2	30	–

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.



## NOTES TO THE ACCOUNTS CONTINUED

## Retirement benefit plan assets

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
<b>Total market value</b>	<b>2,136</b>	<b>180</b>	<b>22</b>	<b>2,338</b>

31 July 2024 – £m				
	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	63	8	1	72
Pooled funds:				
– Pooled equity	–	–	5	5
– Pooled Diversified Growth	–	–	12	12
– Pooled credit	337	–	–	337
Corporate bonds	208	141	–	349
Government bonds/LDI	427	41	3	471
Insured liabilities	1,337	–	–	1,337
<b>Total market value</b>	<b>2,372</b>	<b>190</b>	<b>21</b>	<b>2,583</b>

The UK Government bonds/LDI portfolios contain £763m (FY2024: £691m) of UK Government bonds (gilts), £341m (FY2024: £270m) of gilt repurchase obligations and £15m of interest and inflation swaps (FY2024: £5m) and forward FX contracts with a net obligation of £1m (FY2024: £nil asset). These are held to hedge against foreign currency risk. 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. For TIGPS, where all benefits are now secured by way of annuity purchase, all investment risks including ESG and climate risk, have effectively now been eliminated. For SIPS, a significant portion of investment risks have already been eliminated through annuity purchase and the scheme's time horizon to full buy-in, hence exposure to investment risks including ESG and climate risk, continues to reduce.

## Present value of funded scheme liabilities and assets for the main UK and US schemes

31 July 2025 – £m			
	SIPS	TIGPS	US schemes
<b>Present value of funded scheme liabilities:</b>			
– Active deferred members	(12)	(8)	(26)
– Deferred members	(332)	(260)	(71)
– Pensioners	(841)	(544)	(91)
Present value of funded scheme liabilities	<b>(1,185)</b>	<b>(812)</b>	<b>(188)</b>
Market value of scheme assets	1,313	823	180
Surplus restriction	–	(11)	–
<b>Surplus/(deficit)</b>	<b>128</b>	<b>–</b>	<b>(8)</b>

31 July 2024 – £m			
	SIPS	TIGPS	US schemes
<b>Present value of funded scheme liabilities:</b>			
– Active deferred members	(13)	(9)	(28)
– Deferred members	(379)	(304)	(80)
– Pensioners	(915)	(609)	(93)
Present value of funded scheme liabilities	<b>(1,307)</b>	<b>(922)</b>	<b>(201)</b>
Market value of scheme assets	1,439	933	190
Surplus restriction	–	(11)	–
<b>Surplus/(deficit)</b>	<b>132</b>	<b>–</b>	<b>(11)</b>



## NOTES TO THE ACCOUNTS CONTINUED

## Net retirement benefit obligations

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)	<b>128</b>	<b>(8)</b>	<b>(6)</b>	<b>114</b>
Unfunded pension plans	(33)	(5)	(41)	(79)
Post-retirement healthcare	(2)	(1)	–	(3)
Present value of unfunded obligations	(35)	(6)	(41)	(82)
<b>Net pension asset/(liability)</b>	<b>93</b>	<b>(14)</b>	<b>(47)</b>	<b>32</b>
<b>Comprising:</b>				
Retirement benefit assets	128	–	–	128
Retirement benefit liabilities	(35)	(14)	(47)	(96)
<b>Net pension asset/(liability)</b>	<b>93</b>	<b>(14)</b>	<b>(47)</b>	<b>32</b>

31 July 2024 – £m				
	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,372	190	21	2,583
Present value of funded scheme liabilities	(2,229)	(201)	(26)	(2,456)
Surplus restriction	(11)	–	–	(11)
Surplus/(deficit)	<b>132</b>	<b>(11)</b>	<b>(5)</b>	<b>116</b>
Unfunded pension plans	(37)	(6)	(38)	(81)
Post-retirement healthcare	(2)	(1)	(3)	(6)
Present value of unfunded obligations	(39)	(7)	(41)	(87)
<b>Net pension asset/(liability)</b>	<b>93</b>	<b>(18)</b>	<b>(46)</b>	<b>29</b>
<b>Comprising:</b>				
Retirement benefit assets	132	–	–	132
Retirement benefit liabilities	(39)	(18)	(46)	(103)
<b>Net pension asset/(liability)</b>	<b>93</b>	<b>(18)</b>	<b>(46)</b>	<b>29</b>

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.

## Amounts recognised in the consolidated income statement

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Amounts charged to operating profit</b>		
Current service cost	2	4
Past service costs – benefit equalisations	–	4
Headline scheme administration costs	2	3
Non-headline scheme administration costs	4	6
	<b>8</b>	<b>17</b>
<b>The operating cost is charged as follows:</b>		
Headline administrative expenses	4	7
Non-headline administrative expenses	4	10
	<b>8</b>	<b>17</b>
<b>Amounts credited to finance costs</b>		
Non-headline other finance income – retirement benefits	(3)	(6)

## Amounts recognised directly in the consolidated statement of comprehensive income

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Re-measurements of retirement defined benefit assets and liabilities</b>		
Difference between interest credit and return on assets	(197)	54
Experience gains/(losses) on scheme liabilities	25	(103)
Actuarial gains arising from changes in demographic assumptions	–	4
Actuarial gains/(losses) arising from changes in financial assumptions	169	(26)
Movement in surplus restriction	–	5
	<b>(3)</b>	<b>(66)</b>

## Changes in present value of funded scheme assets

31 July 2025 – £m				
	UK schemes	US schemes	Other countries	Total
<b>At beginning of period</b>	<b>2,372</b>	<b>190</b>	<b>21</b>	<b>2,583</b>
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)
<b>At end of period</b>	<b>2,136</b>	<b>180</b>	<b>22</b>	<b>2,338</b>

## NOTES TO THE ACCOUNTS CONTINUED

31 July 2024 – £m

	UK schemes	US schemes	Other countries	Total
<b>At beginning of period</b>	<b>2,367</b>	<b>186</b>	<b>20</b>	<b>2,573</b>
Interest on assets	117	9	1	127
Actuarial movement on scheme assets	54	(1)	1	54
Employer contributions	–	10	–	10
Scheme administration costs	(7)	(2)	–	(9)
Benefits paid	(159)	(12)	(1)	(172)
<b>At end of period</b>	<b>2,372</b>	<b>190</b>	<b>21</b>	<b>2,583</b>

## Changes in present value of funded defined benefit obligations

31 July 2025 – £m

	UK schemes	US schemes	Other countries	Total
<b>At beginning of period</b>	<b>(2,229)</b>	<b>(201)</b>	<b>(26)</b>	<b>(2,456)</b>
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
<b>At end of period</b>	<b>(1,997)</b>	<b>(188)</b>	<b>(28)</b>	<b>(2,213)</b>

31 July 2024 – £m

	UK schemes	US schemes	Other countries	Total
<b>At beginning of period</b>	<b>(2,156)</b>	<b>(202)</b>	<b>(25)</b>	<b>(2,383)</b>
Foreign exchange rate movements	–	–	1	1
Past service costs	(3)	–	(1)	(4)
Interest on obligations	(106)	(11)	(1)	(118)
Actuarial movement on liabilities	(123)	–	(1)	(124)
Benefits paid	159	12	1	172
<b>At end of period</b>	<b>(2,229)</b>	<b>(201)</b>	<b>(26)</b>	<b>(2,456)</b>

## Changes in present value of unfunded defined benefit pensions and post-retirement healthcare plans

	Assets		Obligations	
	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>At beginning of period</b>	<b>–</b>	<b>–</b>	<b>(87)</b>	<b>(85)</b>
Current service cost	–	–	(2)	(4)
Interest on obligations	–	–	(3)	(3)
Actuarial movement	–	–	4	(1)
Employer contributions	6	6	–	–
Benefits paid	(6)	(6)	6	6
<b>At end of period</b>	<b>–</b>	<b>–</b>	<b>(82)</b>	<b>(87)</b>

## Changes in the effect of the asset ceiling over the year

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Irrecoverable asset at beginning of period</b>	<b>(11)</b>	<b>(16)</b>
Actuarial movement on scheme assets	–	5
<b>At end of period</b>	<b>(11)</b>	<b>(11)</b>

## Cash contributions

Company contributions to the defined benefit pension plans and post-retirement healthcare plans totalled £11m (FY2024: £16m). This comprised a one-off additional £5m contribution to the US funded scheme (FY2024: £5m) and £6m (FY2024: £6m) on providing benefits under unfunded defined benefit pension and post-retirement healthcare plans.

In FY2026, cash contributions to the Group's schemes are expected to be up to £17m 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 certificate where such schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any amendments were void without the appropriate certificate. On 2 September 2025, the Government published draft amendments to legislation that aim to give affected pension schemes the ability to retrospectively obtain any necessary actuarial certifications confirming historic benefit changes met the applicable standards. These amendments are unlikely to come into force until 2026. The Group does not expect this ruling to have any impact on its defined benefit obligations and SIPS and TIGPS will continue to be administered on the current basis.

## NOTES TO THE ACCOUNTS CONTINUED

## 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.

Ordinary shares under option/ award ('000)	Long-term incentive plans	Restricted stock	Save as you earn scheme	Total	Weighted average exercise price
<b>31 July 2023</b>	<b>4,828</b>	<b>87</b>	<b>958</b>	<b>5,873</b>	<b>£1.78</b>
Granted	1,919	45	243	2,207	£1.34
Exercised	(1,140)	(10)	(437)	(1,587)	£2.54
Lapsed	(1,218)	(8)	(79)	(1,305)	£0.73
<b>31 July 2024</b>	<b>4,389</b>	<b>114</b>	<b>685</b>	<b>5,188</b>	<b>£1.62</b>
Granted	1,909	132	184	2,225	£1.06
Exercised	(968)	(52)	(100)	(1,120)	£1.03
Lapsed	(759)	–	(38)	(797)	£0.61
<b>31 July 2025</b>	<b>4,571</b>	<b>194</b>	<b>731</b>	<b>5,496</b>	<b>£1.65</b>

Options and awards were exercised on an irregular basis during the period. The average closing share price over the financial year was 1,900p (FY2024: 1,656.2p). 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 2025 was nil (31 July 2024: nil).

Range of exercise prices	Total shares under options/awards at 31 July 2025 ('000)	Weighted average remaining contractual life at 31 July 2025 (months)	Total shares under options/awards at 31 July 2024 ('000)	Weighted average remaining contractual life at 31 July 2024 (months)
£0.00 – £2.00	4,765	17	4,503	17
£6.01 – £10.00	–	–	2	–
£10.01 – £12.00	731	26	683	29

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% (FY2024: 25% to 20%) and dividend yield of 2.3% (FY2024: 2.6%), 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 £15.66 (FY2024: £15.73), and restricted stock of £11.34 (FY2024: £15.29). Staff costs included £22m (FY2024: £14m) for share-based payments, of which £21m (FY2024: £11m) related to equity-settled share-based payments.

## NOTES TO THE ACCOUNTS CONTINUED

## 10. Intangible assets

	Goodwill £m	Development costs £m	Acquired intangibles (see table below) £m	Software, patents and intellectual property £m	Total £m
<b>Cost</b>					
<b>At 31 July 2023</b>	<b>1,273</b>	<b>193</b>	<b>612</b>	<b>159</b>	<b>2,237</b>
Foreign exchange rate movements	(7)	(2)	(1)	–	(10)
Business combinations	10	–	34	–	44
Additions	–	14	–	4	18
Disposals	–	–	–	(1)	(1)
<b>At 31 July 2024</b>	<b>1,276</b>	<b>205</b>	<b>645</b>	<b>162</b>	<b>2,288</b>
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)
<b>At 31 July 2025</b>	<b>1,055</b>	<b>210</b>	<b>589</b>	<b>134</b>	<b>1,988</b>
<b>Amortisation and impairments</b>					
<b>At 31 July 2023</b>	<b>64</b>	<b>124</b>	<b>406</b>	<b>122</b>	<b>716</b>
Foreign exchange rate movements	–	(2)	(2)	–	(4)
Amortisation charge for the year	–	2	49	5	56
Disposals	–	–	–	(1)	(1)
<b>At 31 July 2024</b>	<b>64</b>	<b>124</b>	<b>453</b>	<b>126</b>	<b>767</b>
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)
<b>At 31 July 2025</b>	<b>39</b>	<b>134</b>	<b>413</b>	<b>118</b>	<b>704</b>
<b>Net book value at 31 July 2025</b>	<b>1,016</b>	<b>76</b>	<b>176</b>	<b>16</b>	<b>1,284</b>
Net book value at 31 July 2024	1,212	81	192	36	1,521
Net book value at 31 July 2023	1,209	69	206	37	1,521

The charge associated with the amortisation of intangible assets is included in operating costs on the consolidated income statement.

In addition to goodwill, acquired intangible assets comprise:

	Patents, licences and trademarks £m	Technology £m	Customer relationships £m	Total acquired intangibles £m
<b>Cost</b>				
<b>At 31 July 2023</b>	<b>20</b>	<b>145</b>	<b>447</b>	<b>612</b>
Foreign exchange rate movements	–	–	(1)	(1)
Business combinations	3	–	31	34
<b>At 31 July 2024</b>	<b>23</b>	<b>145</b>	<b>477</b>	<b>645</b>
Foreign exchange rate movements	(1)	(4)	(12)	(17)
Business combinations	12	–	47	59
Reclassified to assets held for sale	(3)	(39)	(56)	(98)
<b>At 31 July 2025</b>	<b>31</b>	<b>102</b>	<b>456</b>	<b>589</b>
<b>Amortisation</b>				
<b>At 31 July 2023</b>	<b>9</b>	<b>92</b>	<b>305</b>	<b>406</b>
Foreign exchange rate movements	–	–	(2)	(2)
Charge for the year	2	10	37	49
<b>At 31 July 2024</b>	<b>11</b>	<b>102</b>	<b>340</b>	<b>453</b>
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)
<b>At July 2025</b>	<b>12</b>	<b>77</b>	<b>324</b>	<b>413</b>
<b>Net book value at 31 July 2025</b>	<b>19</b>	<b>25</b>	<b>132</b>	<b>176</b>
Net book value at 31 July 2024	12	43	137	192
Net book value at 31 July 2023	11	53	142	206

Individually material intangible assets comprise:

- £22m of customer-related intangibles attributable to United Flexible (remaining amortisation period: 2 years);
- £27m of customer-related intangibles attributable to Morpho Detection (remaining amortisation period: 3 years);
- £24m of customer-related intangibles attributable to Heating & Cooling Products (remaining amortisation period: 8 years);
- £32m of development cost intangibles attributable to a computed tomography programme in Detection (remaining amortisation period: 15 years); and
- £21m of development cost intangibles attributable to an X-ray diffraction programme in Detection (remaining amortisation period: 6 years).

## NOTES TO THE ACCOUNTS CONTINUED

## 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:

	2025 £m	2025 Number of CGUs	2024 £m	2024 Number of CGUs
John Crane	130	1	130	1
Flex-Tek	263	1	193	1
Smiths Detection	623	1	625	1
Smiths Interconnect – reclassified to assets held for sale at 31 July 2025 (note 28)	–	1	264	1
	<b>1,016</b>	<b>4</b>	<b>1,212</b>	<b>4</b>

### 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 FY2025 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;
- 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 FY2026 budget and the segmental strategic projections. The forecast did not include any future capital expenditure that improved/enhanced the operation/asset 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. These risk adjusted discount rates have then been validated 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 12.2% to 13.6% (FY2024: 11.9% to 12.8%) 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 2.1% to 2.6% (FY2024: 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.



## NOTES TO THE ACCOUNTS CONTINUED

The assumptions used in the impairment testing of CGUs with significant goodwill balances were as follows:

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 – compound annual growth rate (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%	

As at 31 May 2024					
	John Crane	Flex-Tek	Smiths Detection	Smiths Interconnect	
Net book value of goodwill (£m)	135	191	649	279	
Basis of valuation	Value in use	Value in use	Value in use	Value in use	
Discount rate – pre-tax	11.9%	12.6%	12.8%	12.5%	
– post-tax	9.4%	10.0%	9.5%	10.1%	
Period covered by management projections	5 years	5 years	5 years	5 years	
Capital expenditure – annual average over projection period (£m)	31	10	19	12	
Revenue – CAGR over projection period	6.1%	3.6%	3.8%	4.4%	
Average earnings before interest and tax margin	22.2%	20.5%	12.9%	15.8%	
Long-term growth rates	2.6%	2.1%	2.3%	2.5%	

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.

**Smiths Detection CGU – Sensitivity analysis**

Management have concluded from the results of the Group's CGU impairment testing, that there is no reasonably plausible scenario where any change in one of the individual assumptions would result in an impairment of the Detection CGU. However management recognise that a severe downside scenario, with a combined sensitivity of the key assumptions, would significantly reduce the CGU's headroom but not result in a material impairment. The recoverable amount of all CGUs exceeds their carrying value, on the basis of the assumptions set out in the tables above and any reasonably possible changes thereof.

The Smiths Detection CGU has a lower amount of goodwill impairment testing headroom than the Group's other CGUs. Though there is no reasonably plausible downside scenario that would cause a material impairment, management have included the following voluntary sensitivity disclosures for the CGU:

- The estimated recoverable amount of the Smiths Detection CGU exceeded the carrying value by £499m (FY2024: £254m). Any decline in estimated value-in-use in excess of this amount would result in the recognition of impairment charges.
- If the assumptions used in the impairment review was changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to impairment losses being recognised for the year ended 31 July 2025:

Change required for carrying value to equal recoverable amount	FY2025	FY2024
Revenue – CAGR over five-year projection period	-940 bps decrease	-470 bps decrease
Average earnings before interest and tax margin	-400 bps decrease	-220 bps decrease
Post-tax discount rate	+340 bps increase	+150 bps increase

Note: The information in the sensitivity table above has been provided voluntarily to aid the users of the accounts. Projected capital expenditure and long-term growth rates are not included in the table above as management consider that there is no reasonably possible change in the projected capital expenditure or long-term growth rate that would result in an impairment.

**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
<b>Cost or valuation</b>				
<b>At 31 July 2023</b>	<b>178</b>	<b>463</b>	<b>120</b>	<b>761</b>
Foreign exchange rate movements	(3)	(7)	(2)	(12)
Business combinations	–	7	–	7
Additions	10	50	8	68
Disposals	(4)	(17)	(12)	(33)
<b>At 31 July 2024</b>	<b>181</b>	<b>496</b>	<b>114</b>	<b>791</b>
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)
<b>At 31 July 2025</b>	<b>171</b>	<b>430</b>	<b>87</b>	<b>688</b>
<b>Depreciation</b>				
<b>At 31 July 2023</b>	<b>110</b>	<b>302</b>	<b>102</b>	<b>514</b>
Foreign exchange rate movements	(1)	(3)	(1)	(5)
Charge for the year	8	32	5	45
Disposals	(4)	(17)	(12)	(33)
<b>At 31 July 2024</b>	<b>113</b>	<b>314</b>	<b>94</b>	<b>521</b>
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)
<b>At July 2025</b>	<b>111</b>	<b>262</b>	<b>71</b>	<b>444</b>
<b>Net book value at 31 July 2025</b>	<b>60</b>	<b>168</b>	<b>16</b>	<b>244</b>
Net book value at 31 July 2024	68	182	20	270
Net book value at 31 July 2023	68	161	18	247

## 13. Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
<b>Cost or valuation</b>				
<b>At 31 July 2023</b>	<b>190</b>	<b>27</b>	<b>2</b>	<b>219</b>
Foreign exchange rate movements	(3)	(1)	–	(4)
Business combinations	12	–	–	12
Recognition of right of use asset	18	10	–	28
Derecognition of right of use asset	(5)	–	–	(5)
<b>At 31 July 2024</b>	<b>212</b>	<b>36</b>	<b>2</b>	<b>250</b>
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)
<b>At 31 July 2025</b>	<b>171</b>	<b>23</b>	<b>1</b>	<b>195</b>
<b>Depreciation</b>				
<b>At 31 July 2023</b>	<b>94</b>	<b>19</b>	<b>1</b>	<b>114</b>
Foreign exchange rate movements	(2)	(1)	–	(3)
Charge for the year	29	5	–	34
Derecognition of right of use asset	(5)	–	–	(5)
<b>At 31 July 2024</b>	<b>116</b>	<b>23</b>	<b>1</b>	<b>140</b>
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)
<b>At 31 July 2025</b>	<b>85</b>	<b>11</b>	<b>–</b>	<b>96</b>
<b>Net book value at 31 July 2025</b>	<b>86</b>	<b>12</b>	<b>1</b>	<b>99</b>
Net book value at 31 July 2024	96	13	1	110
Net book value at 31 July 2023	96	8	1	105

## NOTES TO THE ACCOUNTS CONTINUED

## 14. Financial assets – other investments

	Investment in ICU Medical, Inc equity £m	Deferred contingent consideration £m	Investments in early stage businesses £m	Cash collateral deposit £m	Total £m
<b>Cost or valuation</b>					
<b>At 31 July 2023</b>	<b>347</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>371</b>
Fair value change through profit and loss	–	(13)	–	–	(13)
Fair value change through other comprehensive income	(103)	–	(2)	–	(105)
Disposals	(197)	–	–	(3)	(200)
<b>At 31 July 2024</b>	<b>47</b>	<b>–</b>	<b>5</b>	<b>1</b>	<b>53</b>
Fair value change through profit and loss	–	–	–	–	–
Fair value change through other comprehensive income	8	–	–	–	8
Disposals	(55)	–	–	–	(55)
<b>At 31 July 2025</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>1</b>	<b>6</b>

In the current year, the Group has disposed of the remainder of its equity investment in ICU Medical, Inc equity. This transaction resulted in a £3m non-headline loss (see note 3) relating to the block sale discount on the disposal of these shares.

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.

## 15. Inventories

	31 July 2025 £m	31 July 2024 £m
Raw materials and consumables	133	192
Work in progress	140	148
Finished goods	313	303
<b>Total inventories</b>	<b>586</b>	<b>643</b>

In FY2025, operating costs included £1,470m (FY2024: £1,629m) of inventory consumed, £16m (FY2024: £13m) was charged for the write-down of inventory and £7m (FY2024: £11m) was released from provisions no longer required.

## Inventory provisioning

	31 July 2025 £m	31 July 2024 £m
Gross inventory carried at full value	505	560
Gross value of inventory partly or fully provided for	138	146
	643	706
Inventory provision	(57)	(63)
<b>Inventory after provisions</b>	<b>586</b>	<b>643</b>

## 16. Trade and other receivables

	31 July 2025 £m	31 July 2024 £m
<b>Non-current</b>		
Trade receivables	3	–
Prepayments	–	1
Contract assets	82	86
Other receivables	5	9
	<b>90</b>	<b>96</b>
<b>Current</b>		
Trade receivables	504	544
Prepayments	36	58
Contract assets	114	123
Other receivables	83	101
	<b>737</b>	<b>826</b>

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 £727m (FY2024: £788m).

## NOTES TO THE ACCOUNTS CONTINUED

Contract assets comprise unbilled balances not yet due on contracts, where revenue recognition does not align with the agreed payment schedule. The main movements in the year arose from the reclassification of Interconnect balances to held for sale and increases in contract asset balances of £5m (FY2024: £23m) principally within John Crane and Smiths Detection, offset by a £2m (FY2024: £1m) decrease due to foreign currency translation losses.

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 FY2025 the Group collected £70m of receivables through these schemes (FY2024: £126m). The impact of invoice discounting on the FY2025 balance sheet was that trade receivables were reduced by £18m (FY2024: £23m). Costs of discounting were £1m (FY2024: £2m), 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. The largest single customer was the US Federal Government, representing 9% (FY2024: 8%) of Group revenue.

## Ageing of trade receivables

	31 July 2025 £m	31 July 2024 £m
Trade receivables which are not yet due	388	436
Trade receivables which are between 1-30 days overdue	49	56
Trade receivables which are between 31-60 days overdue	22	17
Trade receivables which are between 61-90 days overdue	13	13
Trade receivables which are between 91-120 days overdue	6	5
Trade receivables which are more than 120 days overdue	44	46
	<b>522</b>	<b>573</b>
Expected credit loss allowance provision	[15]	[29]
<b>Trade receivables</b>	<b>507</b>	<b>544</b>

## Movement in expected credit loss allowance

	31 July 2025 £m	31 July 2024 £m
Brought forward loss allowance at the start of the period	29	30
Exchange adjustments	–	1
Increase in allowance recognised in the income statement	8	4
Amounts written off or recovered during the year	[19]	[6]
Amounts reclassified to discontinued operations	[3]	–
<b>Carried forward loss allowance at the end of the year</b>	<b>15</b>	<b>29</b>

## 17. Trade and other payables

	31 July 2025 £m	31 July 2024 £m
<b>Non-current</b>		
Other payables	12	15
Contract liabilities	26	26
	<b>38</b>	<b>41</b>
<b>Current</b>		
Trade payables	229	274
Other payables	46	35
Other taxation and social security costs	27	60
Accruals	222	204
Contract liabilities	155	191
	<b>679</b>	<b>764</b>

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.

Contract liabilities comprise deferred income balances of £181m (FY2024: £217m) in respect of payments being made in advance of revenue recognition. The movement in the year arises primarily from the long-term contracts of the Smiths Detection business segment where invoicing under milestones precedes the delivery of the programme performance obligations. Revenue recognised in the year includes £176m (FY2024: £166m) that was included in the opening contract liabilities balance. This revenue primarily relates to the delivery of performance obligations in the Smiths Detection business.

## NOTES TO THE ACCOUNTS CONTINUED

## 18. Borrowings and net debt

This note sets out the calculation of net debt, an important measure in explaining our financing position. Net debt includes accrued interest and fair value adjustments relating to hedge accounting.

	31 July 2025 £m	31 July 2024 £m
<b>Cash and cash equivalents</b>		
Net cash and deposits	195	459
<b>Short-term borrowings</b>		
Lease liabilities	(29)	(32)
Interest accrual	(3)	(2)
	<b>(32)</b>	<b>(34)</b>
<b>Long-term borrowings</b>		
€650m 2.00% Eurobond 2027	(556)	(534)
Lease liabilities	(79)	(91)
	<b>(635)</b>	<b>(625)</b>
<b>Borrowings/gross debt</b>	<b>(667)</b>	<b>(659)</b>
Derivatives managing interest rate risk and currency profile of the debt	10	(13)
<b>Net debt (excludes £21m of net cash in discontinued operations)</b>	<b>(462)</b>	<b>(213)</b>

Net debt for the total Group (including £21m of net cash held in discontinued operations) is £441m (FY2024: £213m).

## Cash and cash equivalents

	31 July 2025 £m	31 July 2024 £m
Cash at bank and in hand	102	123
Short-term deposits	93	336
<b>Cash and cash equivalents</b>	<b>195</b>	<b>459</b>

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 £12m (FY2024: £12m) was charged to the consolidated income statement in the period in respect of public bonds.

## 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	10	–	–	–	10
Foreign exchange forward contracts	–	7	(2)	–	5
<b>At 31 July 2025</b>	<b>10</b>	<b>7</b>	<b>(2)</b>	<b>–</b>	<b>15</b>
Derivatives managing interest rate risk and currency profile of the debt	–	–	–	(13)	(13)
Foreign exchange forward contracts	–	4	(4)	–	–
<b>At 31 July 2024</b>	<b>–</b>	<b>4</b>	<b>(4)</b>	<b>(13)</b>	<b>(13)</b>

## Movements in assets/(liabilities) arising from financing activities

	Changes in net debt				Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	
<b>At 31 July 2024</b>	<b>459</b>	<b>(34)</b>	<b>(625)</b>	<b>(13)</b>	<b>(213)</b>	<b>(213)</b>
Foreign exchange gains/(losses)	(12)	1	(11)	–	(22)	(22)
Net cash inflow from continuing operations	(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
Fair value movements	–	–	(7)	23	16	19
Lease liabilities acquired	–	(1)	(5)	–	(6)	(6)
Net movement from new leases and modifications	–	(28)	–	–	(28)	(28)
Reclassifications	–	(5)	5	–	–	–
<b>At 31 July 2025</b>	<b>195</b>	<b>(32)</b>	<b>(635)</b>	<b>10</b>	<b>(462)</b>	<b>(457)</b>

## NOTES TO THE ACCOUNTS CONTINUED

	Changes in net debt					Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m		
<b>At 31 July 2023</b>	<b>285</b>	<b>(29)</b>	<b>(625)</b>	<b>(18)</b>	<b>(387)</b>	<b>3</b>	<b>(384)</b>
Foreign exchange gains/(losses)	(14)	1	10	–	(3)	–	(3)
Net cash inflow from continuing operations	188	–	–	–	188	–	188
Lease payments	–	39	–	–	39	–	39
Interest paid	–	57	–	–	57	–	57
Interest expense*	–	(63)	–	–	(63)	–	(63)
Cash inflow from matured derivative contracts	–	–	–	–	–	5	5
Fair value movements	–	–	(9)	5	(4)	(8)	(12)
Lease liabilities acquired	–	–	(12)	–	(12)	–	(12)
Net movement from new leases and modifications	–	(28)	–	–	(28)	–	(28)
Reclassifications	–	(11)	11	–	–	–	–
<b>At 31 July 2024</b>	<b>459</b>	<b>(34)</b>	<b>(625)</b>	<b>(13)</b>	<b>(213)</b>	<b>–</b>	<b>(213)</b>

\* Interest expense presented in note 4 also includes a £1m accrual movement that does not form part of net debt.

### 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 2025 the total value of overdrafts on accounts in interest compensation cash pooling systems was £nil (FY2024: £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 one bond 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 FY2025 was 4.69% (FY2024: 4.42%).

## 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 2025 were BBB+ / Baa2 (both negative 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 2025 these measures were 100% (FY2024: 100%), 1.6 years (FY2024: 2.6 years) and 54% (FY2024: 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 2025, these measures were £805m (FY2024: £623m) and a weighted average maturity of 49 months (FY2024: 57 months). At 31 July 2025, net cash resources were £195m (FY2024: £459m). 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 2025

	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
<b>Financial assets and liabilities</b>					
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 as net investment hedges	(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	–
	<b>(86)</b>	<b>(62)</b>	<b>38</b>	<b>153</b>	<b>43</b>

At 31 July 2024

	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
<b>Financial assets and liabilities</b>					
Financial instruments included in trade and other receivables	38	417	147	195	797
Financial instruments included in trade and other payables	(45)	(222)	(117)	(111)	(495)
Cash and cash equivalents	139	222	19	79	459
Borrowings not designated as net investment hedges	(26)	(61)	(14)	(22)	(123)
	106	356	35	141	638
Exclude balances held in operations with the same functional currency	(108)	(305)	(38)	(153)	(604)
Exposure arising from intra-Group loans	–	65	37	(71)	31
Future forward foreign exchange contract cash-flows	13	(93)	6	74	–
	<b>11</b>	<b>23</b>	<b>40</b>	<b>(9)</b>	<b>65</b>

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 FY2025 £m	Gain/(loss) recognised in reserves FY2025 £m	Impact on profit for the year FY2024 £m	Gain/(loss) recognised in reserves FY2024 £m
US dollar	4	2	1	2
Euro	(1)	(2)	(1)	(3)
Sterling	3	(2)	(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 2025, contracts with a nominal value of £103m (FY2024: £178m) were designated as hedging instruments. In addition, the Group had outstanding foreign currency contracts with a nominal value of £357m (FY2024: £315m) 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 (FY2024: 100%).

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 2025 £m	Year ended 31 July 2024 £m
Brought forward cash-flow hedge reserve at start of year	–	–
Foreign exchange forward contracts: Net fair value gains on effective hedges	(2)	–
Amount reclassified to income statement – finance costs	3	–
<b>Carried forward cash-flow hedge reserve at end of year</b>	<b>1</b>	<b>–</b>

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
Sales and purchases	Foreign currency risk	Foreign exchange contracts	FY2025	(2)	2	(2)
			FY2024	–	–	–

Cash-flow hedges generated £nil of ineffectiveness in FY2025 (FY2024: £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.

**Net investment hedges**

The table below sets out the currency of loans and swap contracts designated as net investment hedges:

	At 31 July 2025			At 31 July 2024		
	US\$ £m	Euro £m	Total £m	US\$ £m	Euro £m	Total £m
Loans designated as net investment hedges	–	(296)	(296)	–	(288)	(288)
Cross-currency swap	(240)	–	(240)	(248)	–	(248)
	<b>(240)</b>	<b>(296)</b>	<b>(536)</b>	<b>(248)</b>	<b>(288)</b>	<b>(536)</b>

## NOTES TO THE ACCOUNTS CONTINUED

At 31 July 2025, cross-currency swaps hedged the Group's exposure to US dollars and euros (FY2024: US dollars and euros). All the cross-currency swaps designated as net investment hedges were non-current (FY2024: non-current). Swaps generating £240m of the US dollar exposure (FY2024: £248m) will mature in February 2027.

In addition, non-swapped borrowings were also used to hedge the Group's exposure to euros (FY2024: euros). Borrowings generating £296m of the euro exposure (FY2024: £288m) will mature in February 2027.

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 2025 £m	Year ended 31 July 2024 £m
Brought forward net investment hedge reserve at start of year	(191)	(196)
Cross-currency swaps      Net fair value gains on effective hedges	7	–
Bonds      Net fair value gains on effective hedges	(7)	5
<b>Carried forward net investment hedge reserve at end of year</b>	<b>(191)</b>	<b>(191)</b>

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 2025 and 31 July 2024:

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	FY2025	7	(7)	(7)
		Cross-currency swaps	FY2025	(7)	8	7
						–
Overseas operation	Foreign currency risk	Bonds	FY2024	(5)	5	–

Net investment hedges generated £1m of ineffectiveness in FY2025 (FY2024: £nil) 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 2025 £m	Loss recognised in hedge reserve 31 July 2024 £m
US dollar	27	28
Euro	33	32

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 2025 54% (FY2024: 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 2025, after interest rate swaps, was 4.25% (FY2024: 4.60%).

**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 2025				
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
<b>Fixed interest</b>				
Less than one year	–	–	(32)	(32)
Between one and five years	–	–	(353)	(352)
Greater than five years	–	–	(27)	(27)
<b>Total fixed interest financial liabilities</b>	–	–	<b>(412)</b>	<b>(411)</b>
Floating rate interest financial assets/(liabilities)	1	142	(255)	(257)
<b>Total interest-bearing financial assets/(liabilities)</b>	<b>1</b>	<b>142</b>	<b>(667)</b>	<b>(668)</b>
Non-interest-bearing assets in the same category	–	53	–	–
<b>Total</b>	<b>1</b>	<b>195</b>	<b>(667)</b>	<b>(668)</b>

As at 31 July 2024				
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
<b>Fixed interest</b>				
Less than one year	–	–	(34)	(34)
Between one and five years	–	–	(351)	(343)
Greater than five years	–	–	(33)	(33)
<b>Total fixed interest financial liabilities</b>	–	–	<b>(418)</b>	<b>(410)</b>
Floating rate interest financial assets/(liabilities)	1	393	(241)	(244)
<b>Total interest-bearing financial assets/(liabilities)</b>	<b>1</b>	<b>393</b>	<b>(659)</b>	<b>(654)</b>
Non-interest-bearing assets in the same category	–	66	–	–
<b>Total</b>	<b>1</b>	<b>459</b>	<b>(659)</b>	<b>(654)</b>

**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 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.

At 31 July 2024, 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 £259m (FY2024: £253m) 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	FY2025	(7)	8	–	251	–	(5)
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2024	(9)	9	–	253	–	(12)

(a) Classified as borrowings.

Fair value hedges generated a £1m ineffectiveness in gain FY2025 (FY2024: £nil) 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. However, the Group does not have a significant exposure to interest rate movements for any individual currency. Based on the composition of net debt and investments at 31 July 2025, 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 £2m impact (FY2024: £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 £201m at 31 July 2025 (FY2024: £465m).

	31 July 2025 £m	31 July 2024 £m
Cash in AAA liquidity funds	76	196
Cash at banks with at least a AA- credit rating	33	26
Cash at banks with all other A credit ratings	79	185
Cash at other banks	7	52
Investments in bank deposits	1	1
Other investments	5	5
<b>Total</b>	<b>201</b>	<b>465</b>

At 31 July 2025, the maximum exposure with a single bank for deposits and cash was £54m (FY2024: £128m). The bank has a credit rating of AAA (FY2024: A+). The maximum mark to market exposure with a single bank for derivatives was £3m, the bank has a credit rating of AA-. In the prior year derivatives were out of the money and did not represent a credit risk.

#### (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 and a Revolving Credit Facility of £200m maturing 17 June 2027. At the balance sheet date, the Group had the following undrawn credit facility:

	31 July 2025 £m	31 July 2024 £m
Expiring between one and two years (FY2024: n/a)	200	–
Expiring after more than four years (FY2024: four years)	605	623
<b>Total</b>	<b>805</b>	<b>623</b>

## NOTES TO THE ACCOUNTS CONTINUED

## Cash deposits

As at 31 July 2025, £93m (FY2024: £336m) of cash and cash equivalents was on deposit with various banks of which £76m (FY2024: £196m) was in liquidity funds. £1m (FY2024: £1m) of investments comprised bank deposits held to secure liabilities and letters of credit.

## Gross contractual cash-flows for borrowings

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)
<b>Total</b>	<b>(564)</b>	<b>5</b>	<b>(108)</b>	<b>(22)</b>	<b>(689)</b>

As at 31 July 2024 - represented*					
	Borrowings represented* £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(2)	–	(32)	(11)	(45)
Between one and two years	–	–	(21)	(11)	(32)
Between two and three years	(546)	12	(18)	(11)	(563)
Between three and four years	–	–	(11)	–	(11)
Between four and five years	–	–	(8)	–	(8)
Greater than five years	–	–	(33)	–	(33)
<b>Total</b>	<b>(548)</b>	<b>12</b>	<b>(123)</b>	<b>(33)</b>	<b>(692)</b>

\* The FRC's review of the Group's FY2024 annual report and accounts identified a small number of reporting improvement matters. Following the FRC's review, borrowings in the table above has been represented to separately disclose the maturity analysis of lease liabilities. The table has also been restated to show the correct bond repayment date.

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 2025			
	Receipts £m	Payments £m	Net cash-flow £m
<b>Assets</b>			
Less than one year	238	(231)	7
Greater than one year	271	(261)	10
<b>Liabilities</b>			
Less than one year	208	(210)	(2)
Greater than one year	7	(7)	–
<b>Total</b>	<b>724</b>	<b>(709)</b>	<b>15</b>

As at 31 July 2024			
	Receipts £m	Payments £m	Net cash-flow £m
<b>Assets</b>			
Less than one year	260	(256)	4
Greater than one year	4	(4)	–
<b>Liabilities</b>			
Less than one year	223	(227)	(4)
Greater than one year	254	(267)	(13)
<b>Total</b>	<b>741</b>	<b>(754)</b>	<b>(13)</b>

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 £461m (FY2024: £481m) due in less than one year, £21m (FY2024: £14m) due between one and five years.

## 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.

At 31 July 2025

	Contract or underlying nominal amount £m	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
<b>Total foreign exchange contracts</b>	<b>460</b>	<b>7</b>	<b>(2)</b>	<b>5</b>
Cross-currency swaps (fair value and net investment hedges)	240	10	–	10
<b>Total financial derivatives</b>	<b>700</b>	<b>17</b>	<b>(2)</b>	<b>15</b>
<b>Balance sheet entries:</b>				
Non-current	258	10	–	10
Current	442	7	(2)	5
<b>Total financial derivatives</b>	<b>700</b>	<b>17</b>	<b>(2)</b>	<b>15</b>

At 31 July 2024

	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	178	2	(2)	–
Foreign exchange contracts (not hedge accounted)	315	2	(2)	–
<b>Total foreign exchange contracts</b>	<b>493</b>	<b>4</b>	<b>(4)</b>	<b>–</b>
Cross-currency swaps (fair value and net investment hedges)	248	–	(13)	(13)
<b>Total financial derivatives</b>	<b>741</b>	<b>4</b>	<b>(17)</b>	<b>(13)</b>
<b>Balance sheet entries:</b>				
Non-current	255	–	(13)	(13)
Current	486	4	(4)	–
<b>Total financial derivatives</b>	<b>741</b>	<b>4</b>	<b>(17)</b>	<b>(13)</b>

## 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 2025 £m	Liabilities 31 July 2025 £m	Assets 31 July 2024 £m	Liabilities 31 July 2024 £m
Gross value of assets and liabilities	17	(2)	4	(17)
Related assets and liabilities subject to master netting agreements	(2)	2	(4)	4
<b>Net exposure</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>(13)</b>



## 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 2025		Maturity at 31 July 2024	
Hedged exposure	Hedging instrument		Up to one year	One to 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	–	254
		– Historical average exchange rate	–	0.845	–	0.845
		– Average spread over three-month BBP SONIA	–	1.860%	–	1.860%
Net investment hedges						
Foreign currency risk	Cross-currency swaps (GBP:USD)	– Notional amount (£m)	–	240	–	248
		– Historical average exchange rate	–	1.2534	–	1.2534
Cash-flow hedges						
Foreign currency risk	Foreign exchange contracts (USD:GBP)	– Notional amount (£m)	29	–	41	–
		– Average exchange rate	1.3076	–	1.2593	–
	Foreign exchange contracts (EUR:USD)	– Notional amount (£m)	16	–	24	–
		– Average exchange rate	0.8017	–	0.9277	–
	Foreign exchange contracts (GBP:EUR)	– Notional amount (£m)	15	–	66	–
		– Average exchange rate	0.8729	–	0.8588	–
	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 (CZK:GBP)	– Notional amount (£m)	10	–	25	–
		– Average exchange rate	29.4206	–	28.6952	–
	Foreign exchange contracts (AUD:EUR)	– Notional amount (£m)	4	–	9	–
		– Average exchange rate	1.7473	–	1.6564	–

At 31 July 2025, the Group had forward foreign exchange contracts with a nominal value of £103m (FY2024: £178m) 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 16 February 2027. The largest single currency pairs are disclosed above and make up 98% 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 165.

## NOTES TO THE ACCOUNTS CONTINUED

## 21. Fair value of financial instruments

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
<b>Financial assets</b>							
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
<b>Total financial assets</b>			<b>939</b>	<b>18</b>	<b>5</b>	<b>962</b>	<b>962</b>
<b>Financial liabilities</b>							
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)
<b>Total financial liabilities</b>			<b>(1,135)</b>	<b>(16)</b>	<b>–</b>	<b>(1,151)</b>	<b>(1,152)</b>

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 2024	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
<b>Financial assets</b>							
Other investments	14	A	–	1	47	48	48
Other investments	14	F	–	–	5	5	5
Cash and cash equivalents	18	B	459	–	–	459	459
Trade and other financial receivables		B/C	797	–	–	797	797
Derivative financial instruments	20	C	–	4	–	4	4
<b>Total financial assets</b>			<b>1,256</b>	<b>5</b>	<b>52</b>	<b>1,313</b>	<b>1,313</b>
<b>Financial liabilities</b>							
Trade and other financial payables		B	(495)	–	–	(495)	(495)
Short-term borrowings	18	B/D	(2)	–	–	(2)	(2)
Long-term borrowings	18	D	(534)	–	–	(534)	(529)
Lease liabilities	18	E	(123)	–	–	(123)	(123)
Derivative financial instruments	20	C	–	(17)	–	(17)	(17)
<b>Total financial liabilities</b>			<b>(1,154)</b>	<b>(17)</b>	<b>–</b>	<b>(1,171)</b>	<b>(1,166)</b>

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 2025, commitments, comprising bonds and guarantees arising in the normal course of business, amounted to £180m (FY2024: £187m), including pension commitments of £44m (FY2024: £44m) and charitable funding commitments for the Smiths Group Foundation of £8m (FY2024: £9m). In addition, the Group has committed expenditure on capital projects amounting to £4m (FY2024: £14m).

## 23. Provisions and contingent liabilities

	Trading	Non-headline and legacy			Total
	£m	John Crane, Inc. litigation £m	Titeflex Corporation litigation £m	Other £m	£m
<b>At 31 July 2023</b>	<b>8</b>	<b>204</b>	<b>41</b>	<b>33</b>	<b>286</b>
Business combinations	1	–	–	–	1
Provision charged	12	29	–	5	46
Provision released	(2)	–	(5)	(5)	(12)
Unwind of provision discount	–	8	1	–	9
Utilisation	(6)	(21)	(1)	(8)	(36)
<b>At 31 July 2024</b>	<b>13</b>	<b>220</b>	<b>36</b>	<b>25</b>	<b>294</b>
<b>Comprising:</b>					
Current liabilities	10	32	13	20	75
Non-current liabilities	3	188	23	5	219
<b>At 31 July 2024</b>	<b>13</b>	<b>220</b>	<b>36</b>	<b>25</b>	<b>294</b>
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)
<b>At 31 July 2025</b>	<b>19</b>	<b>191</b>	<b>26</b>	<b>18</b>	<b>254</b>
<b>Comprising:</b>					
Current liabilities	12	23	7	14	56
Non-current liabilities	7	168	19	4	198
<b>At 31 July 2025</b>	<b>19</b>	<b>191</b>	<b>26</b>	<b>18</b>	<b>254</b>

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 2025, the Group had warranty and product liability provisions of £17m (FY2024: £9m). 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 2025	Year ended 31 July 2024	Year ended 31 July 2023	Year ended 31 July 2022	Year ended 31 July 2021
<b>JCI claims experience</b>					
Claims against JCI that have been dismissed	313,000	312,000	310,000	306,000	305,000
Claims JCI is currently a defendant in	21,000	20,000	20,000	22,000	22,000
Cumulative final judgements, after appeals, against JCI since 1979	157	156	154	149	149
Cumulative value of awards (US\$m) since 1979	192	191	190	175	175

The number of claims outstanding at 31 July 2025 reflected the benefit of 1,000 (FY2024: 2,000) 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 (FY2024: 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 £170m and future spend at the 95th percentile of £230m (FY2024: £200m and £258m, respectively). Statistical analysis of the distribution of these outcomes indicates that there is a 50% probability that the total future spend will fall between £214m and £242m (FY2024: between £245m and £271m), compared to the gross provision value of £231m (FY2024: £261m).

**John Crane, Inc. litigation provision history**

The JCI asbestos litigation provision of £191m (FY2024: £220m) 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 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>John Crane, Inc. litigation provision</b>					
Gross provision	231	261	246	258	220
Discount	(40)	(41)	(42)	(29)	(8)
Discounted pre-tax provision	191	220	204	229	212
Deferred tax	(46)	(54)	(51)	(57)	(54)
Discounted post-tax provision	145	166	153	172	158
<b>Operating profit charge/(credit)</b>					
(Decreased)/Increased provisions for adverse judgements and legal defence costs	(11)	28	28	24	10
Change in US risk-free rates	(1)	1	(15)	(18)	(5)
Subtotal – items charged to the provision	(12)	29	13	6	5
Litigation management, legal fees in connection with litigation against insurers and defence strategy	–	–	2	1	1
Recoveries from insurers	(1)	(3)	(7)	–	(9)
Total operating profit (credit)/charge	(13)	26	8	7	(3)
<b>Cash-flow</b>					
Provision utilisation – legal defence costs and adverse judgements	(18)	(21)	(32)	(21)	(13)
Litigation management expense	–	–	(2)	(1)	–
Recoveries from insurers	1	3	7	–	9
Net cash outflow	(17)	(18)	(27)	(22)	(4)

**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 £15m (FY2024: £16m) and reducing it by five years would reduce the provision by £85m (FY2024: £87m).

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 £13m (FY2024: £13m) and extending it by five years would increase the pre-tax provision by £45m (FY2024: £47m). 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.

## NOTES TO THE ACCOUNTS CONTINUED

**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.

**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 £26m (FY2024: £36m) 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 2025 £m	31 July 2024 £m
Gross provision	56	69
Discount	(30)	(33)
Discounted pre-tax provision	26	36
Deferred tax	(6)	(9)
Discounted post-tax provision	20	27

**Titeflex Corporation litigation provision history**

A credit of £5m (FY2024: £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 lower gross provision value has been principally driven by a reduction 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 2025, there were reorganisation provisions of £5m (FY2024: £1m) relating to the various restructuring programmes that are expected to be utilised in the next 18 months.

**Property**

At 31 July 2025, there were provisions of £7m (FY2024: £6m) 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
<b>Ordinary shares of 37.5p each</b>			
<b>Total share capital at 31 July 2023</b>	<b>349,302,990</b>	<b>131</b>	
Share buybacks	(4,205,196)	(1)	(70)
<b>Total share capital at 31 July 2024</b>	<b>345,097,794</b>	<b>130</b>	
Share buybacks	(15,413,491)	(6)	(303)
<b>Total share capital at 31 July 2025</b>	<b>329,684,303</b>	<b>124</b>	

**Share capital structure**

As at 31 July 2025, the Company's issued share capital was 329,684,303 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 2025, 2,816,482 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.

**NOTES TO THE ACCOUNTS CONTINUED**

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 the General Meeting. Such authorities were granted by shareholders at the 2024 Annual General Meeting. At the 2025 AGM, it will be proposed that the Directors be granted new authorities to allot and buy back shares.

**Share buybacks**

As at 10 September 2025 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 17.2 million ordinary shares (FY2024: 31.8 million). As at 10 September 2025, 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 has since been extended to £500m. Under this scheme, 15,413,491 ordinary shares of 37.5p were repurchased during the period for a total consideration of £303m of which 300,000 shares with a value of £7m were yet to settle and be cancelled.

A further 2,099,395 ordinary shares have been repurchased during the period of 1 August 2025 to 10 September 2025. The programme is expected to be completed by the end of the calendar year.

In total since the start of the £500m Programme, 20,253,422 shares have been repurchased, for a total consideration of £398m, representing 6% of the called-up ordinary share capital outstanding at the start of the Programme.

**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 2025, the Trust held 1,662,267 (FY2024: 1,388,730) 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 2025 £m	Year ended 31 July 2024 £m
Ordinary final dividend of 30.2p (FY2024: 28.70p) paid 22 November 2024	104	100
Ordinary interim dividend of 14.23p (FY2024: 13.55p) paid 14 May 2025	48	47
	<b>152</b>	<b>147</b>

In the current year a final dividend of 30.2p was paid on 22 November 2024 in respect of FY2024 and an interim dividend of 14.23p was paid in respect of FY2025. In the prior year a total dividend of 42.25p was paid, comprising a final dividend of 28.7p paid in respect of FY2023 and an interim dividend of 13.55p paid in respect of FY2024.

The final dividend for the year ended 31 July 2025 of 31.77p per share was recommended by the Board on 22 September 2025 and will be paid to shareholders on 21 November 2025, subject to approval by the shareholders. This dividend is payable to all shareholders on the register of members at 6.00pm on 17 October 2025 (the record date).

**Waiver of dividends**

Winterflood 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 (FY2024: nil) shares to the Trust, the Trust purchased 1,318,518 shares (FY2024: 1,251,530 shares) in the market for a consideration of £23m (FY2024: £20m) and redeemed 1,044,561 shares (FY2024: 1,605,729) to employees for a cumulative option cost of £1m (FY2024: £4m). At 31 July 2025, the Trust held 1,662,267 (FY2024: 1,388,730) ordinary shares.

Other reserves comprise the capital redemption reserve, revaluation 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 FY2025 ROCE was 18.1% (FY2024: 16.4%); 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 FY2025 ratio of net debt to headline EBITDA of 0.6 (FY2024: 0.3) 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 2025, the Group had a credit rating of BBB+/Baa2 (FY2024: 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 2025 £m	31 July 2024 £m
Net investment hedge reserve	(191)	(191)
Deferred tax on net investment hedge reserve	7	7
Cashflow hedge reserve	1	–
<b>Hedge reserve total</b>	<b>(183)</b>	<b>(184)</b>

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 £24m (FY2024: £22m), of which the most significant balance is in John Crane Japan Inc., which represented £22m (FY2024: £20m) 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 £10m in the period (FY2024: £4m), and cash inflows from operating activities of £6m (FY2024: £4m). It paid dividends of £1m (FY2024: £1m) and tax of £2m (FY2024: £1m). At 31 July 2025, the company contributed £57m (FY2024: £53m) of net assets to the Group.

**27. Acquisitions**

During September 2024, the Group acquired 100% of the share capital of Wattco, Inc. (19 September 2024) and acquired 100% of the share capital of Modular Metal (1 October 2024). On 28 February 2025, the Group acquired 100% of the share capital of Duc-Pac.

Wattco is a manufacturer of industrial heating solutions and control panels which will expand Flex-Tek's industrial heat business. The total cash consideration for this acquisition was £68m, with deferred contingent consideration valued at £8m. The deferred consideration is contingent on the post-acquisition performance of the business and has been valued using a probability weighted expected return model. The maximum return from the deferred contingent consideration is £15m and the minimum is £nil, it has been classified as other payables within the Group balance sheet.

Modular Metal is a manufacturer of metal and flexible duct which will expand Flex-Tek's HVAC business. The total cash consideration for this acquisition was £31m, with deferred consideration being circa £4m.

Duc-Pac is a manufacturer of metal and flexible ducting products and will expand Flex-Tek's presence in the North-Eastern American HVAC market. The total cash consideration for this acquisition was £31m, with deferred consideration being circa £4m.

All acquisitions were financed using the Group's own cash resources. The intangible assets recognised on acquisition comprise customer relationships, trade names and non-compete agreements. 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 2025, Wattco contributed £12m to revenue and £2m to profit before taxation and amortisation. If the Group had acquired Wattco at the beginning of the financial year, the acquisition would have contributed an additional £6m to revenue and £2m to profit before taxation and amortisation.

From the date of acquisition to 31 July 2025, Modular Metal contributed £18m to revenue and £4m to profit before taxation and amortisation. If the Group had acquired Modular Metal at the beginning of the financial year, the acquisition would have contributed an additional £5m to revenue and £1m to profit before taxation and amortisation.

From the date of acquisition to 31 July 2025, Duc-Pac contributed £6m to revenue and £2m to profit before taxation and amortisation. If the Group had acquired Duc-Pac at the beginning of the financial year, the acquisition would have contributed an additional £9m to revenue and £2m to profit before taxation and amortisation.

## NOTES TO THE ACCOUNTS CONTINUED

The balances at the date of acquisition have been provided in the table below. The amounts for Duc-Pac are provisional due to the fair value of the acquisition balance sheet not being finalised.

	Wattco £m	Modular Metal £m	Duc-Pac £m	Total £m
<b>Non-current assets</b>				
– acquired intangible assets	24	17	18	<b>59</b>
– plant and machinery	1	2	2	<b>5</b>
– right of use assets	4	1	1	<b>6</b>
<b>Current assets</b>				
– inventory	2	7	3	<b>12</b>
– trade and other receivables	1	–	–	<b>1</b>
– cash and cash equivalents	2	6	1	<b>9</b>
<b>Current liabilities</b>				
– trade and other payables	(6)	(1)	(1)	<b>(8)</b>
<b>Non-current liabilities</b>				
– deferred tax	(6)	(3)	–	<b>(9)</b>
– lease liability	(4)	(1)	(1)	<b>(6)</b>
<b>Net assets acquired</b>	<b>18</b>	<b>28</b>	<b>23</b>	<b>69</b>
Goodwill on current period acquisitions	58	7	12	<b>77</b>
<b>Total</b>	<b>76</b>	<b>35</b>	<b>35</b>	<b>146</b>
Cash paid during the period	68	31	31	<b>130</b>
Deferred/contingent consideration	8	4	4	<b>16</b>
<b>Total consideration</b>	<b>76</b>	<b>35</b>	<b>35</b>	<b>146</b>

## Post balance sheet date acquisition

On 1 August 2025 the Group's Smiths Detection business completed on the acquisition of 100% of the assets of Med Graphix Inc. for total consideration of £6m. Due to the short time between the completion of the acquisition and the announcement date, it has not been possible to complete the determination of the fair values of the acquired balance sheet.

## 28. Discontinued operations and businesses held for sale

On 31 January 2025, the Group announced a number of strategic actions to unlock significant value and enhance returns to shareholders. These strategic actions included Smiths Interconnect being divested, targeting a transaction announcement by end of calendar year 2025 and Smiths Detection being separated either by UK demerger or sale following the sale of Smiths Interconnect.

At the July 2025 Smith Group Board meeting, it was determined that the Smiths Interconnect divestment project had progressed sufficiently for the Smiths Interconnect business to be accounted for as a discontinued operation and as a business held for sale. Smiths Interconnect is a separate major line of business for the Group.

Separately management have determined that Smiths Detection separation project was progressing to schedule but had not yet progressed sufficiently for the Smiths Detection business to be accounted for as a discontinued operation or a business held for sale or distribution to owners.

Interconnect's US sub-systems business unit (Smiths Interconnect, Inc (SIII)) has been disclosed as a separate disposal group, following an agreement to sell the business separately from the rest of Smiths Interconnect. The value of SII's net assets have been impaired to their fair value less costs to sell, this has resulted in a £30m impairment loss being recognised.

The sale of the rest of Smiths Interconnect remains on schedule with a sale announcement expected by the end of the calendar year 2025.

## Discontinued operations

The financial performance of discontinued operations in the current and prior years is presented below:

	Year ended 31 July 2025			Year ended 31 July 2024		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Revenue	421	–	421	354	–	354
Operating costs	(346)	(10)	(356)	(305)	(3)	(308)
Impairment loss	–	(30)	(30)	–	–	–
<b>Operating profit/(loss)</b>	<b>75</b>	<b>(40)</b>	<b>35</b>	<b>49</b>	<b>(3)</b>	<b>46</b>
Finance costs	–	–	–	(1)	–	(1)
<b>Profit/(loss) before taxation</b>	<b>75</b>	<b>(40)</b>	<b>35</b>	<b>48</b>	<b>(3)</b>	<b>45</b>
Taxation	(18)	(1)	(19)	(13)	(3)	(16)
<b>Profit/(loss) from discontinued operations</b>	<b>57</b>	<b>(41)</b>	<b>16</b>	<b>35</b>	<b>(6)</b>	<b>29</b>

Cash-flow from discontinued operations included in the consolidated cash-flow statement is as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Net cash inflow from operating activities	65	20
Net cash-flow used in investing activities	(13)	(11)
Net cash-flow used in financing activities	(14)	(4)
<b>Net increase in cash and cash equivalents</b>	<b>38</b>	<b>5</b>

## Additional segmental information for discontinued operations

Headline operating profit for discontinued operations is stated after charging depreciation £10m (FY2024: £11m), amortisation £1m (FY2024: £2m) and share based payments £3m (FY2024: £2m).

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for discontinued operations is £13m (FY2024: £11m).

## NOTES TO THE ACCOUNTS CONTINUED

**Businesses held for sale**

At 31 July 2025 the SII and the rest of Smiths Interconnect disposal groups both met the criteria for classification as held for sale. The carrying value of the assets and liabilities of these disposal groups are as follows:

	SII £m	Interconnect £m	Total 31 July 2025 £m
<b>Assets classified as held for sale:</b>			
Intangible assets	–	278	278
Property, plant and equipment	–	43	43
Right of use assets	–	6	6
Inventories	9	65	74
Deferred tax assets	–	1	1
Current tax receivable	–	2	2
Trade and other receivables	12	60	72
Cash and cash equivalents	–	31	31
<b>Assets classified as held for sale</b>	<b>21</b>	<b>486</b>	<b>507</b>
<b>Liabilities classified as held for sale:</b>			
Financial liabilities - leases	(4)	(6)	(10)
Trade and other payables	(9)	(74)	(83)
Current tax payable	–	(6)	(6)
Deferred tax liabilities	(1)	(5)	(6)
Provisions for liabilities and charges	–	(1)	(1)
<b>Liabilities classified as held for sale</b>	<b>(14)</b>	<b>(92)</b>	<b>(106)</b>

**Analysis by geographical areas**

The Interconnect's revenue by destination and selected operating assets by geographical location are shown below:

	Americas £m	Europe £m	APAC £m	ROW £m	Total £m
<b>Revenue by geographical location</b>					
Revenue year ended 31 July 2025	214	76	116	15	421
Revenue year ended 31 July 2024	200	81	54	19	354
<b>Year ended 31 July 2025 – Selected operating assets by geographical location</b>					
Intangible assets	275	3	–	–	278
Property, plant and equipment	26	11	6	–	43
Right of use asset	5	1	–	–	6
<b>Total</b>	<b>306</b>	<b>15</b>	<b>6</b>	<b>–</b>	<b>327</b>

**29. Cash-flow****Cash-flow from operating activities**

	Year ended 31 July 2025			Year ended 31 July 2024 – represented*		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Operating profit:						
– continuing operations	505	(95)	410	477	(108)	369
– discontinued operations	75	(40)	35	49	(3)	46
Amortisation of intangible assets	25	52	77	7	49	56
Impairment on sale of SII	–	30	30	–	–	–
Depreciation of property, plant and equipment	43	2	45	44	1	45
Depreciation of right of use assets	34	–	34	34	–	34
Loss on disposal of property, plant and equipment	2	–	2	1	–	1
Loss on fair value of contingent consideration	–	–	–	–	13	13
Share-based payment expense	21	–	21	13	–	13
Retirement benefits**	4	(7)	(3)	7	(8)	(1)
Loss on disposal of financial asset	–	3	3	–	9	9
Recycling of cash flow hedge reserve	(2)	–	(2)	–	–	–
Decrease/(increase) in inventories	(20)	4	(16)	(4)	–	(4)
Decrease/(increase) in trade and other receivables	(35)	35	–	(107)	26	(81)
Increase/(decrease) in trade and other payables	(5)	7	2	71	(21)	50
Increase/(decrease) in provisions	9	(55)	(46)	3	(5)	(2)
Cash generated from operations	<b>656</b>	<b>(64)</b>	<b>592</b>	<b>595</b>	<b>(47)</b>	<b>548</b>
Interest paid	(63)	–	(63)	(57)	–	(57)
Interest received	40	–	40	26	–	26
Tax paid	(113)	–	(113)	(99)	–	(99)
<b>Net cash inflow from operating activities</b>	<b>520</b>	<b>(64)</b>	<b>456</b>	<b>465</b>	<b>(47)</b>	<b>418</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

\*\* 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 – continuing operations**

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 2025			Year ended 31 July 2024		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
<b>Net cash inflow from operating activities</b>	<b>520</b>	<b>(64)</b>	<b>456</b>	<b>465</b>	<b>(47)</b>	<b>418</b>
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(80)	–	(80)	(86)	–	(86)
Repayment of lease liabilities	(41)	–	(41)	(39)	–	(39)
Funding of charitable foundation	–	1	1	–	1	1
Movement in cash collateral	–	–	–	4	–	4
<b>Free cash-flow</b>			<b>336</b>			<b>298</b>
Exclude:						
Repayment of lease liabilities	41	–	41	39	–	39
Interest paid	63	–	63	57	–	57
Interest received	(40)	–	(40)	(26)	–	(26)
Tax paid	113	–	113	99	–	99
Funding of charitable foundation	–	(1)	(1)	–	(1)	(1)
Movement in cash collateral	–	–	–	(4)	–	(4)
<b>Operating cash-flow</b>	<b>576</b>	<b>(64)</b>	<b>512</b>	<b>509</b>	<b>(47)</b>	<b>462</b>

**Headline cash conversion**

Headline operating cash conversion for the total Group is calculated as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline operating profit	580	526
Headline operating cash-flow	576	509
<b>Headline operating cash conversion</b>	<b>99%</b>	<b>97%</b>

**Reconciliation of free cash-flow to net movement in cash and cash equivalents:**

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Free cash-flow</b>	<b>336</b>	<b>298</b>
Disposal of financial assets	53	186
Disposal of subsidiaries – post-sale expenses	(12)	–
Acquisition of businesses	(121)	(65)
Funding of charitable foundation	(1)	(1)
Other net cash-flows used in financing activities (note: repayment of lease liabilities is included in free cash-flow)	(476)	(230)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(221)</b>	<b>188</b>

**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.

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
<b>Capital employed</b>	Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows: <ul style="list-style-type: none"> <li>– To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998;</li> <li>– To eliminate the Group's investment in ICU Medical, Inc. equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc; and</li> <li>– 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.</li> </ul> It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.
<b>Capital expenditure</b>	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.

## NOTES TO THE ACCOUNTS CONTINUED

APM term	Definition and purpose
<b>Divisional headline operating profit (DHOP)</b>	DHOP comprises divisional earnings before central costs, finance costs and taxation. DHOP is used to monitor divisional performance. A reconciliation of DHOP to operating profit is shown in note 1.
<b>Free cash-flow</b>	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 and pensions financing outstanding at the balance sheet date. 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.
<b>Gross debt</b>	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.
<b>Headline</b>	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.
<b>Headline EBITDA</b>	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.
<b>Net debt</b>	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).
<b>Non-headline</b>	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.

APM term	Definition and purpose
<b>Operating cash-flow</b>	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.
<b>Operating profit</b>	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 119. This common measure is used by the Group to measure and monitor performance.
<b>Return on capital employed (ROCE)</b>	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
<b>Dividend cover – headline</b>	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.
<b>Headline Earnings per share (EPS) growth</b>	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.
<b>Free cash-flow (as a % of operating profit)</b>	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.
<b>Greenhouse gas (GHG) emissions reduction</b>	GHG reduction is calculated as the percentage change in normalised Scope 1 & 2 GHG emissions. Normalised is calculated as tCO <sub>2</sub> e per £m of revenue. This measure is used to monitor environmental performance.

## NOTES TO THE ACCOUNTS CONTINUED

KPI term	Definition and purpose
<b>Gross vitality</b>	Gross vitality is calculated as the percentage of revenue derived from new products and services launched in the last five years. This measure is used to monitor the effectiveness of the Group's new product development and commercialisation.
<b>My Say engagement score</b>	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.
<b>Operating cash conversion</b>	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.
<b>Operating profit margin</b>	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.
<b>Organic growth</b>	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.
<b>Organic revenue growth (remuneration)</b>	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.
<b>Percentage of senior leadership positions taken by females</b>	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.
<b>RD&amp;E cash costs as a % of sales</b>	<p>This measure is defined as the cash cost of research, development, and customer-specific engineering activities (RD&amp;E) as a percentage of revenue. RD&amp;E includes capitalised RD&amp;E, RD&amp;E directly charged to the P&amp;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.</p> <p>This KPI has replaced "R&amp;D cash costs as a % of sales" as the Group's measure of research and development investment.</p>

KPI term	Definition and purpose
<b>Recordable Incident Rate (RIR)</b>	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 £478m (FY2024: £478m), to eliminate the Group's investment in ICU Medical, Inc. equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc. 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 related tax, and net debt.

	Notes	31 July 2025 £m	31 July 2024 £m
<b>Net assets</b>		<b>2,060</b>	<b>2,252</b>
Adjust for:			
Goodwill recognised directly in reserves		478	478
Retirement benefit assets and obligations	8	(32)	(29)
Tax related to retirement benefit assets and obligations		18	17
John Crane, Inc. litigation provisions and related tax	23	145	166
Titeflex Corporation litigation provisions and related tax	23	20	27
Investment in ICU Medical, Inc. equity	14	–	(47)
Net debt (includes £21m of net cash from discontinued operations)	18	441	213
<b>Capital employed</b>		<b>3,130</b>	<b>3,077</b>

**Return on capital employed (ROCE)**

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline operating profit for previous 12 months – including discontinued operations		580	526
Average capital employed – including discontinued operations (excluding investment in ICU Medical, Inc. equity)	1	3,204	3,206
<b>ROCE</b>		<b>18.1%</b>	<b>16.4%</b>

## 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 2025 £m	Year ended 31 July 2024 £m
<b>Revenue</b>		
Continuing operations	2,915	2,778
Discontinued operations	421	354
<b>Total Group</b>	<b>3,336</b>	<b>3,132</b>
<b>Headline operating profit</b>		
Continuing operations	505	477
Discontinued operations	75	49
<b>Total Group</b>	<b>580</b>	<b>526</b>

**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) – total Group**

Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
<b>Headline operating profit – total Group</b>	<b>580</b>	<b>526</b>
Exclude:		
– depreciation of property, plant and equipment	29	44
– depreciation of right of use assets	13	34
– amortisation and impairment of development costs	10	2
– amortisation of software, patents and intellectual property	10	5
<b>Headline EBITDA</b>	<b>682</b>	<b>611</b>

**Ratio of net debt to headline EBITDA – total Group**

Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline EBITDA	682	611
Net debt (including £21m of net cash from discontinued operations)	18	213
<b>Ratio of net debt to headline EBITDA</b>	<b>0.6</b>	<b>0.3</b>

Headline EBITDA for continuing operations is calculated as follows:

**Headline earnings before interest, tax, depreciation and amortisation (headline EBITDA) – continuing operations**

Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
<b>Headline operating profit – continuing operations</b>	<b>505</b>	<b>477</b>
Exclude:		
– depreciation of property, plant and equipment	36	37
– depreciation of right of use assets	31	31
– amortisation and impairment of development costs	10	2
– amortisation of software, patents and intellectual property	14	3
<b>Headline EBITDA</b>	<b>596</b>	<b>550</b>

\* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

**31. Post balance sheet events**

Details of the proposed final dividend announced since the end of the reporting period are given in note 25. Details of the post balance sheet date acquisition are given in note 27.

**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 FY2025.

Company name	Company number
EIS Group Limited	61407
Flexibox International Limited	394688
Flex-Tek Group Limited	11545405
Graseby Limited	894638
SI Properties Limited	160881
Smiths Detection Group Limited	5138140
Smiths Detection Investments Limited	5146644
Smiths Finance Limited	7888063
Smiths Group Innovation Limited	10953689
Smiths Interconnect Group Limited	6641403
Smiths Pensions Limited	2197444



## UNAUDITED GROUP FINANCIAL RECORD 2021–2025 CONTINUED

## UNAUDITED GROUP FINANCIAL RECORD 2021–2025

		Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
<b>Income statement metrics – headline*</b>						
Continuing operations	Revenue	2,915	2,778	3,037	2,566	2,406
	Headline operating profit	505	477	501	417	372
	Headline profit before tax	474	440	466	376	332
Discontinued operations	Revenue	421	354	–	356	849
	Headline operating profit	75	49	–	66	177
	Headline profit before tax	75	48	–	65	176
<b>Income statement metrics – statutory**</b>						
Revenue		2,915	2,778	3,037	2,566	2,406
Operating profit		410	369	403	117	326
Profit before taxation		375	327	360	103	240
Profit for the year		276	222	232	1,035	285
<b>Balance sheet metrics***</b>						
Net debt		[462]	[213]	[387]	[150]	[1,018]
Shareholders' equity		2,036	2,230	2,384	2,699	2,402
Average capital employed		3,204	3,206	3,196	2,940	4,165
<b>Ratios</b>						
Headline operating profit: revenue (%) **		17.3	17.1	16.5	16.5	16.9
Headline effective tax rate (%)**		25.0	25.0	26.0	27.2	27.1
Return on capital employed (%)***		18.1	16.4	15.7	14.2	13.2
Return on shareholders' funds (%)***		15.6	13.0	11.3	10.0	11.6
<b>Cash-flow metrics***</b>						
Headline operating cash		576	509	433	318	630
Headline operating cash conversion (%)		99	97	86	76	125
Free cash-flow		336	298	178	130	383
Free cash-flow per share (p)		101.9	86.4	51.0	35.9	96.6
<b>Earnings per share***</b>						
Headline earnings per share (p)		121.2	105.5	97.5	82.5	93.1
<b>Dividends and dividend cover***</b>						
Pence per share		46.00	43.75	41.60	39.60	37.70
Headline dividend cover		2.6	2.4	2.3	2.1	2.5

\* The headline income statement metrics in the above five-year record have been presented to classify the Smiths Interconnect business as a discontinued operation in FY2025 and FY2024 and the Smiths Medical business as a discontinued operation in FY2022 and FY2021.

\*\* The statutory income statement metrics and income statement ratios are presented based on continuing operations for both the current and comparative years.

\*\*\* 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 CONTINUED

## UNAUDITED SUPPLEMENTARY CONSOLIDATED INCOME STATEMENT – US DOLLAR TRANSLATION

	Year ended 31 July 2025			Year ended 31 July 2024 represented*		
	Headline \$m	Non-headline (note 3) \$m	Total \$m	Headline \$m	Non-headline (note 3) \$m	Total \$m
<b>CONTINUING OPERATIONS</b>						
Revenue	3,788	–	3,788	3,499	–	3,499
Operating costs	(3,132)	(123)	(3,255)	(2,898)	(136)	(3,034)
<b>Operating profit/(loss)</b>	<b>656</b>	<b>(123)</b>	<b>533</b>	<b>601</b>	<b>(136)</b>	<b>465</b>
Interest income	52	–	52	33	–	33
Interest expense	(92)	5	(87)	(80)	–	(80)
Other financing losses	–	(14)	(14)	–	(14)	(14)
Other finance charges – retirement benefits	–	4	4	–	8	8
Finance costs	(40)	(5)	(45)	(47)	(6)	(53)
<b>Profit/(loss) before taxation</b>	<b>616</b>	<b>(128)</b>	<b>488</b>	<b>554</b>	<b>(142)</b>	<b>412</b>
Taxation	(155)	26	(129)	(137)	5	(132)
<b>Profit/(loss) for the year</b>	<b>461</b>	<b>(102)</b>	<b>359</b>	<b>417</b>	<b>(137)</b>	<b>280</b>
<b>DISCONTINUED OPERATIONS</b>						
Profit on discontinued operations	74	(53)	21	43	(8)	35
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>535</b>	<b>(155)</b>	<b>380</b>	<b>460</b>	<b>(145)</b>	<b>315</b>
<b>Profit/(loss) for the year attributable to:</b>						
Smiths Group shareholders – continuing operations	458	(155)	303	416	(145)	271
Smiths Group shareholders – discontinued operations	74	–	74	43	–	43
Non-controlling interests	3	–	3	1	–	1
	<b>535</b>	<b>(155)</b>	<b>380</b>	<b>460</b>	<b>(145)</b>	<b>315</b>
<b>EARNINGS PER SHARE</b>						
Basic			111.4c			91.1c
Basic – continuing			105.3c			91.1c
Diluted			110.9c			90.7c
Diluted – continuing			104.8c			90.7c

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 2025 \$m	Year ended 31 July 2024 \$m
<b>Profit for the year</b>	380	315
<b>Other comprehensive income (OCI):</b>		
<b>OCI which will not be reclassified to the income statement:</b>		
Re-measurement of post-retirement benefits assets and obligations	(4)	(83)
Taxation on post-retirement benefits movements	–	21
Fair value movements on financial assets at fair value through OCI	10	(132)
	6	(194)
<b>OCI which will be reclassified and reclassifications:</b>		
Fair value gains/(losses) and reclassification adjustments:		
– deferred in the year on cash-flow and net investment hedges	(1)	5
– reclassified to income statement on cash-flow and net investment hedges	3	–
	2	5
<b>Foreign exchange (FX) movements net of recycling:</b>		
Exchange losses on translation of foreign operations	(45)	(42)
<b>Total other comprehensive income, net of taxation</b>	<b>(37)</b>	<b>(231)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>343</b>	<b>84</b>
<b>Attributable to:</b>		
Smiths Group shareholders	340	84
Non-controlling interests	3	–
	<b>343</b>	<b>84</b>
<b>Total comprehensive income attributable to Smiths Group shareholders arising from:</b>		
Continuing operations	331	51
Discontinued operations	9	33
	<b>340</b>	<b>84</b>

## UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

## UNAUDITED SUPPLEMENTARY CONSOLIDATED BALANCE SHEET – US DOLLAR TRANSLATION

	31 July 2025 \$m	31 July 2024 \$m		31 July 2025 \$m	31 July 2024 \$m
<b>NON-CURRENT ASSETS</b>			<b>SHAREHOLDERS' EQUITY</b>		
Intangible assets	1,698	1,953	Share capital	164	167
Property, plant and equipment	323	347	Share premium account	483	469
Right of use assets	131	141	Capital redemption reserve	41	32
Financial assets – other investments	8	68	Merger reserve	311	302
Retirement benefit assets	169	169	Retained earnings	1,935	2,130
Deferred tax assets	130	121	Hedge reserve	(242)	(236)
Trade and other receivables	119	123	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,692</b>	<b>2,864</b>
Financial derivatives	13	–	Non-controlling interest equity	32	28
	<b>2,591</b>	<b>2,922</b>	<b>TOTAL EQUITY</b>	<b>2,724</b>	<b>2,892</b>
<b>CURRENT ASSETS</b>					
Inventories	775	825			
Current tax receivable	26	31			
Trade and other receivables	974	1,060			
Cash and cash equivalents	258	589			
Financial derivatives	9	5			
Assets held for sale	670	–			
	<b>2,712</b>	<b>2,510</b>			
<b>TOTAL ASSETS</b>	<b>5,303</b>	<b>5,432</b>			
<b>CURRENT LIABILITIES</b>					
Financial liabilities – borrowings	(4)	(3)			
Financial liabilities – lease liabilities	(38)	(41)			
Financial liabilities – financial derivatives	(3)	(5)			
Provisions for liabilities and charges	(74)	(96)			
Trade and other payables	(898)	(980)			
Current tax payable	(87)	(90)			
Liabilities held for sale	(140)	–			
	<b>(1,244)</b>	<b>(1,215)</b>			
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities – borrowings	(735)	(685)			
Financial liabilities – lease liabilities	(104)	(117)			
Financial liabilities – financial derivatives	–	(17)			
Provisions for liabilities and charges	(262)	(281)			
Retirement benefit obligations	(127)	(132)			
Deferred tax liabilities	(57)	(41)			
Trade and other payables	(50)	(52)			
	<b>(1,335)</b>	<b>(1,325)</b>			
<b>TOTAL LIABILITIES</b>	<b>(2,579)</b>	<b>(2,540)</b>			
<b>NET ASSETS</b>	<b>2,724</b>	<b>2,892</b>			

\* The comparatives have been restated after adoption of an amendment to IAS12 'Income Taxes', please see page 140 and note 6 for further information.

## 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 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
<b>Total comprehensive income for the year</b>	<b>19</b>	<b>10</b>	<b>397</b>	<b>(6)</b>	<b>420</b>	<b>4</b>	<b>424</b>
<b>Transactions relating to ownership interests:</b>							
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
<b>At 31 July 2025</b>	<b>647</b>	<b>352</b>	<b>1,935</b>	<b>(242)</b>	<b>2,692</b>	<b>32</b>	<b>2,724</b>

	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 2023	637	333	2,337	(242)	3,065	28	3,093
Profit for the year	–	–	314	–	314	1	315
Other comprehensive income:							
– re-measurement of retirement benefits after tax	–	–	(62)	–	(62)	–	(62)
– FX movements net of recycling	–	–	(48)	1	(47)	(1)	(48)
– fair value gains/(losses) and related tax	–	–	(132)	5	(127)	–	(127)
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>72</b>	<b>6</b>	<b>78</b>	<b>–</b>	<b>78</b>
<b>Transactions relating to ownership interests:</b>							
Purchase of shares by Employee Benefit Trust	–	–	(25)	–	(25)	–	(25)
Proceeds received on exercise of employee share options	–	–	5	–	5	–	5
Share buybacks	(1)	1	(88)	–	(88)	–	(88)
Dividends:							
– equity shareholders	–	–	(185)	–	(185)	–	(185)
Share-based payment	–	–	14	–	14	–	14
<b>At 31 July 2024</b>	<b>636</b>	<b>334</b>	<b>2,130</b>	<b>(236)</b>	<b>2,864</b>	<b>28</b>	<b>2,892</b>

## UNAUDITED US DOLLAR PRIMARY STATEMENTS CONTINUED

## UNAUDITED SUPPLEMENTARY CONSOLIDATED CASH-FLOW STATEMENT – US DOLLAR TRANSLATION

	Year ended 31 July 2025 \$m	Year ended 31 July 2024 \$m
<b>Net cash inflow from operating activities</b>	593	526
<b>CASH-FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditure on capitalised development	(5)	(18)
Expenditure on other intangible assets	(5)	(5)
Purchases of property, plant and equipment	(94)	(86)
Disposals of property, plant and equipment	–	–
Income from financial assets	69	239
Acquisition of businesses	(157)	(82)
Proceeds on disposal of subsidiaries, net of cash disposed	(16)	–
<b>Net cash-flow used in investing activities</b>	<b>(208)</b>	<b>48</b>
<b>CASH-FLOWS FROM FINANCING ACTIVITIES</b>		
Share buybacks	(394)	(88)
Purchase of shares by Employee Benefit Trust	(30)	(25)
Proceeds received on exercise of employee share options	1	5
Settlement of cash-settled options	(1)	(3)
Dividends paid to equity shareholders	(198)	(185)
Receipt of capital from non-controlling interest	–	–
Lease payments	(53)	(49)
Reduction and repayment of borrowings	–	–
Cash inflow from matured derivative financial instruments	3	6
<b>Net cash-flow used in financing activities</b>	<b>(672)</b>	<b>(339)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(287)</b>	<b>235</b>
Cash and cash equivalents at beginning of year	589	366
Reclassified to assets held for sale	(41)	–
Exchange differences	(3)	(12)
<b>Cash and cash equivalents at end of year</b>	<b>258</b>	<b>589</b>
<b>Cash and cash equivalents at end of year comprise:</b>		
– cash at bank and in hand	135	158
– short-term deposits	123	431
	<b>258</b>	<b>589</b>

## SMITHS GROUP PLC COMPANY ACCOUNTS

## COMPANY BALANCE SHEET

	Notes	31 July 2025 £m	31 July 2024 £m
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	3	3
Investments	3	2,255	2,439
Loans due from subsidiaries	3	1,410	–
Financial derivatives	9	10	–
Retirement benefit assets	10	128	132
		<b>3,806</b>	<b>2,574</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	5	57	155
Cash and cash equivalents	7	85	306
Financial derivatives	9	8	7
		<b>150</b>	<b>468</b>
<b>Total assets</b>		<b>3,956</b>	<b>3,042</b>
<b>Current liabilities</b>			
Trade and other payables	6	(105)	(159)
Financial derivatives	9	(8)	(7)
		<b>(113)</b>	<b>(166)</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	7	(563)	(549)
Loans due to subsidiaries		(2)	(103)
Provisions for liabilities and charges	8	(1)	–
Retirement benefit liabilities	10	(35)	(39)
Financial derivatives	9	–	(13)
		<b>(601)</b>	<b>(704)</b>
<b>Total liabilities</b>		<b>(714)</b>	<b>(870)</b>
<b>Net assets</b>		<b>3,242</b>	<b>2,172</b>

	Notes	31 July 2025 £m	31 July 2024 £m
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	11	124	130
Share premium account	11	365	365
Capital redemption reserve	11	31	25
Other reserves	11	181	181
Profit and loss account	11	2,541	1,471
<b>Total equity</b>		<b>3,242</b>	<b>2,172</b>

The Company's profit for the period was £1,528m (FY2024: £5m profit).

The accounts on pages 186 to 193 were approved by the Board of Directors on 22 September 2025 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 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
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,526</b>	<b>1,526</b>
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
<b>Total transactions with owners recognised in equity</b>	<b>(6)</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>(456)</b>	<b>(456)</b>
<b>At 31 July 2025</b>	<b>124</b>	<b>365</b>	<b>31</b>	<b>181</b>	<b>2,541</b>	<b>3,242</b>

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained profit £m	Shareholders' equity £m
At 31 July 2023	131	365	24	181	1,736	2,437
Profit for the year	–	–	–	–	5	5
Other comprehensive income:						
– re-measurement of retirement benefits	–	–	–	–	(64)	(64)
– taxation recognised on retirement benefits	–	–	–	–	16	16
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(43)</b>	<b>(43)</b>
Transactions with owners:						
Purchase of shares by Employee Benefit Trust	–	–	–	–	(20)	(20)
Proceeds received on exercise of employee share options	–	–	–	–	4	4
Shares purchased under a buyback programme	(1)	–	1	–	(70)	(70)
Dividends paid to equity shareholders	–	–	–	–	(147)	(147)
Share-based payment	–	–	–	–	11	11
<b>Total transactions with owners recognised in equity</b>	<b>(1)</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>(222)</b>	<b>(222)</b>
<b>At 31 July 2024</b>	<b>130</b>	<b>365</b>	<b>25</b>	<b>181</b>	<b>1,471</b>	<b>2,172</b>

## 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.

## Sources of estimation uncertainty

## Taxation

The Company has recognised deferred tax assets of £23m (FY2024: £24m) relating to revenue losses brought forward. The recognition of these assets requires management to make significant estimates as to the ability to recover them against the unwind of other tax positions and forecast UK taxable profits of the tax group. Further detail on the Company's deferred taxation position is included in note 4.

## Retirement benefits

Determining the value of the future defined benefit obligation involves significant estimates in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. The Company uses previous experience and independent actuarial advice to select the values for critical estimates. A portion of the Company's pension liabilities are insured via bulk annuity policies that match all or part of the scheme obligation to identified groups of pensioners. These assets are valued by an external qualified actuary at the actuarial valuation of the corresponding liability, reflecting this matching relationship.

The Company's principal defined benefit pension plans have been closed so that no future benefits are accrued. Critical estimates for these plans, and the effect of variances in these estimates, are disclosed in note 8 to the consolidated financial statements.

**SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED****Significant judgements made in applying accounting policies****Taxation**

As stated in the previous section 'Sources of estimation uncertainty', the Company has recognised deferred tax assets of £23m (FY2024: £24m) 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. It has been concluded that there are sufficient taxable profits in future periods to support recognition.

**Retirement benefits**

At 31 July 2025 the Company has recognised £128m of retirement benefit assets (FY2024: £132m), which arises from the rights of the employers to recover the surplus at the end of the life of the scheme.

The recognition of this surplus is a significant judgement. There is a judgement required in determining whether an unconditional right of refund exists based on the provision of the relevant Trust deed and rules. Having taken legal advice with regard to the rights of the Company under the relevant Trust deed and rules, it has been determined that an unconditional right of refund does exist and therefore the surplus is recoverable by the Company and can be recognised.

**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 131 to 132 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 124 to 125 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 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 (FY2024: £0.1m).

Directors' emoluments in the year amounted to £11m (FY2024: £5m). Further information for the Executive Directors is available in the single figure remuneration table on page 91. Further information for the Non-executive Directors is available in the single figure remuneration table on page 97.

## 2. Property, plant and equipment

	Fixtures and fittings £m
<b>Cost or valuation</b>	
<b>At 31 July 2023</b>	<b>–</b>
Additions	3
<b>At 31 July 2024</b>	<b>3</b>
Additions	–
<b>At 31 July 2025</b>	<b>3</b>
<b>Depreciation</b>	
<b>At 31 July 2023</b>	<b>–</b>
Charge for the year	–
<b>At 31 July 2024</b>	<b>–</b>
Charge for the year	–
<b>At 31 July 2025</b>	<b>–</b>
<b>Net book value at 31 July 2025</b>	<b>3</b>
Net book value at 31 July 2024	3
Net book value at 31 July 2023	–

## 3. Investments and loans due from subsidiaries

	Shares in subsidiary undertakings £m	Loans due from subsidiaries £m	Total £m
<b>Cost or valuation</b>			
<b>At 31 July 2023</b>	<b>2,436</b>	<b>2,448</b>	<b>4,884</b>
Foreign exchange rate movements	–	(2)	(2)
Contribution through share options	8	–	8
Decrease in advances due from subsidiaries	–	(2,445)	(2,445)
<b>At 31 July 2024</b>	<b>2,444</b>	<b>1</b>	<b>2,445</b>
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)
<b>At 31 July 2025</b>	<b>2,388</b>	<b>1,411</b>	<b>3,799</b>
<b>Provision for impairment</b>			
<b>At 31 July 2023 and 31 July 2024</b>	<b>5</b>	<b>1</b>	<b>6</b>
Impairment charge for the year	128	–	128
<b>At 31 July 2025</b>	<b>133</b>	<b>1</b>	<b>134</b>
<b>Net book value at 31 July 2025</b>	<b>2,255</b>	<b>1,410</b>	<b>3,665</b>
Net book value at 31 July 2024	2,439	–	2,439
Net book value at 31 July 2023	2,431	2,447	4,878

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 2025 £1,242m of loans receivable are offset against loans payable (FY2024: £2,303m). 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, £486m (FY2024: £1m) are receivable between one and two year and £924m (FY202: £nil) are receivable between two and five years.

Due to corporate restructuring, the net book value of the Company's investments in Graseby Limited and EIS Group Limited were written down. After filing for strike off and the request subsequently being accepted, a disposal of £69m was recognised in relation to Graseby Limited. In preparation for the strike off of EIS Group Limited, the Company has written down the net book value of its investment to its carrying value by recognising a £128m impairment charge in the period.

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  
 Smiths Detection Group Limited  
 John Crane Group Limited  
 Flex-Tek Group Limited  
 Smiths Interconnect Group Limited

**SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED**

The principal subsidiaries and their countries of incorporation are:

**England**

Smiths Detection – Watford Ltd  
John Crane UK Limited  
Smiths Group International Holdings Limited

**Other**

Smiths Detection Germany GmbH (Germany)  
Smiths Detection (Asia-Pacific) Pte Ltd (Singapore)  
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**

Smiths Detection, Inc.  
John Crane, Inc.  
Titeflex Corporation  
Flexible Technologies, LLC  
Tutco, LLC  
Royal Metal Products, LLC  
Smiths Interconnect Americas, Inc.  
Smiths Interconnect, Inc.  
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 194 to 199 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
<b>At 31 July 2023</b>	–	<b>(40)</b>	<b>40</b>	–	–
(Charge)/credit to income statement	–	–	(16)	–	(16)
Charge to equity	–	16	–	–	16
<b>At 31 July 2024</b>	–	<b>(24)</b>	<b>24</b>	–	–
(Charge)/credit to income statement	–	–	(1)	–	(1)
Charge to equity	–	1	–	–	1
<b>At 31 July 2025</b>	–	<b>(23)</b>	<b>23</b>	–	–

The Company is part of a UK tax group including all its UK-based subsidiaries. The Company has recognised deferred tax assets of £23m (FY2024: £24m) 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 2025 the Company has unrecognised deferred tax assets of £75m (FY2024: £75m) relating to losses £70m (FY2024: £72m), share-based payments £2m (FY2024: £1m) and other £3m (FY2024: £2m).

Deferred tax has been calculated at a rate of 25% in both the current and prior years.

**5. Trade and other receivables**

	31 July 2025 £m	31 July 2024 £m
Amounts owed by subsidiaries	47	147
Other receivables	10	8
	<b>57</b>	<b>155</b>

Amounts owed by subsidiaries are unsecured and are either repayable on demand or at maturity on or before 31 July 2026.

**6. Trade and other payables**

	31 July 2025 £m	31 July 2024 £m
Amounts owed to subsidiaries	67	136
Other creditors	8	6
Accruals and deferred income	30	17
	<b>105</b>	<b>159</b>

**7. Borrowings and net debt**

	31 July 2025 £m	31 July 2024 £m
Cash at bank	9	4
Short-term deposits	76	302
Cash and cash equivalents	<b>85</b>	<b>306</b>
Term loans falling due within one year	–	–
Term loans falling due after one year	(563)	(549)
Borrowings	<b>(563)</b>	<b>(549)</b>
<b>Net debt</b>	<b>(478)</b>	<b>(243)</b>

**Term loans**

The currency and coupons for the term loans are disclosed in note 18 of the Group accounts.

	31 July 2025 £m	31 July 2024 £m
Less than one year	–	–
Between one and two years	563	–
Between two and five years	–	549
Greater than five years	–	–
Smiths Group plc term loans	<b>563</b>	<b>549</b>

See the liquidity risk disclosures in note 19 in the Group accounts for information on the cash and borrowing facilities available to the Group. Smiths has revolving credit facilities of US\$800m maturing on 5 May 2030 and £200m maturing on 17 June 2027.

## SMITHS GROUP PLC COMPANY ACCOUNTS CONTINUED

## 8. Provisions for liabilities and charges

	At 31 July 2024 £m	Charged against profit £m	Utilisation £m	At 31 July 2025 £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 2025				
	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (not hedge accounted)	824	8	(8)	–
Cross-currency swaps (fair value and net investment hedges)	240	10	–	10
<b>Total financial derivatives</b>	<b>1,064</b>	<b>18</b>	<b>(8)</b>	<b>10</b>
<b>Balance sheet entries</b>				
Comprising:				
Non-current		10	–	10
Current		8	(8)	–
<b>Total financial derivatives</b>		<b>18</b>	<b>(8)</b>	<b>10</b>

At 31 July 2024				
	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (not hedge accounted)	843	7	(7)	–
Cross-currency swaps (fair value and net investment hedges)	248	–	(13)	(13)
<b>Total financial derivatives</b>	<b>1,091</b>	<b>7</b>	<b>(20)</b>	<b>(13)</b>
<b>Balance sheet entries</b>				
Comprising:				
Non-current		–	(13)	(13)
Current		7	(7)	–
<b>Total financial derivatives</b>		<b>7</b>	<b>(20)</b>	<b>(13)</b>

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 credit to the income statement arising from change in fair value in the year was £23m (FY2024: £9m 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 2025 £m	31 July 2024 £m
Market value of scheme assets	2,136	2,372
Present value of funded scheme liabilities	(1,997)	(2,229)
Surplus restriction	(11)	(11)
Surplus	128	132
Unfunded pension plans	(33)	(37)
Post-retirement healthcare	(2)	(2)
Present value of unfunded obligations	(35)	(39)
<b>Net pension asset</b>	<b>93</b>	<b>93</b>
Comprising:		
Retirement benefit assets	128	132
Retirement benefit liabilities	(35)	(39)
<b>Net pension asset</b>	<b>93</b>	<b>93</b>

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
<b>Ordinary shares of 37.5p each</b>			
Total share capital at 31 July 2023	349,302,990	131	
Shares purchased under a buyback programme	(4,205,196)	(1)	(70)
Total share capital at 31 July 2024	345,097,794	130	
Shares purchased under a buyback programme	(15,413,491)	(6)	(303)
<b>Total share capital at 31 July 2025</b>	<b>329,684,303</b>	<b>124</b>	

At 31 July 2025, all of the issued share capital was in free issue. All issued shares are fully paid. See note 9 to the consolidated accounts 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 £23m (2024: £20m) and £1m (2024: £4m) was received as a result of employees exercising share options under the SAYE scheme. At 31 July 2025 the Trust held 1,662,267 (2024: 1,388,730) 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 accounts 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.

Profits available for distribution at 31 July 2025 and 31 July 2024 were comprised as follows:

	2025 £m	2024 £m
<b>Net assets</b>	<b>3,242</b>	<b>2,172</b>
Less:		
Issued share capital	(124)	(130)
Share premium	(365)	(365)
Capital redemption reserve	(31)	(25)
Other non-distributable reserves	(1,074)	(1,069)
<b>Distributable profits</b>	<b>1,648</b>	<b>583</b>

### Other reserves

Other reserves arose from the cancellation of the share premium arising from an equity-funded acquisition in the year ended 30 July 1988.

### Differential between consolidated and Parent Company net assets

The Group's consolidated balance sheet shows net assets that are £1,182m lower (FY2024: £80m greater) than the net assets shown on the Parent Company's balance sheet. The deficit has been caused by the payment of a dividend to the Parent Company in preparation for the separation of Smiths Detection and Smiths Interconnect from the Group.

## 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 (FY2024: £44m).

The Company has guaranteed US\$800m and £200m revolving credit facilities 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

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 Smiths Group, as at 31 July 2025, 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
GRASEBY 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	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS HEIMANN LIMITED	Ordinary	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, 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
TI PENSION TRUSTEE LIMITED	Units	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

\* Voluntary strike off proceedings for this entity commenced on 19 August 2025. Refer to note 3 in the parent company financial statements.

**SUBSIDIARY UNDERTAKINGS CONTINUED****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
ANTARES ADVANCED TEST TECHNOLOGIES (SUZHOU) CO. LTD	Ordinary	No. 14 Unit, No. 78, XingLin Road, Suzhou Industrial Park, Suzhou, 215026, China
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
DETECTION TECHNOLOGIES EGYPT	Ordinary	Nile City Towers, North Tower, 22nd Floor, Ramlet Boulaq, Nile Cournich, Cairo, Egypt
FLEXIBLE DUCTING MALAYSIA SDN BHD	Redeemable	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400, Kuala Lumpur, Malaysia
FLEXIBLE DUCTING, LIMITED	Ordinary	29 DUNSINANE AVENUE, DUNDEE, DD2 3QF, Scotland
FLEXIBLE TECHNOLOGIES (CANADA) LTD	Ordinary	4610, Eastgate Parkway, Unit 3, Mississauga, ON, L4W 3W6, Canada
FLEXIBLE TECHNOLOGIES, LLC	Ordinary	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801, 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
FLEXSCHLAUCH PRODUKTIONS GMBH	Ordinary	Reepschlager Str., 10b, Lubeck, 23556, Germany
FLEX-TEK GROUP (US) LLC	Units	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
FRANCIS SHAW P L C	Ordinary, Preference, Deferred	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FULTON BELLOWES LLC	Ordinary	2801 Red Dog Lane, Knoxville, TN, TN 37914, United States
GASTITE SYSTEMS LIMITED	Ordinary	Amnitec, Abercanaid, Merthyr Tydfil, CF48 1UX, England & Wales
HABIA TEKNOFLUOR AB	Ordinary	Habia Teknofluor AB, Knivsta, 74180, Sweden
HERKULES HOLDING GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
HYPERTAC GMBH	Ordinary	Gewerbedorf Petraching 10, Grafing, Deggendorf, 94539, Germany
HYPERTAC LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
HYPERTAC S.A.	Ordinary	31 RUE ISIDORE MAILLE, SAINT-AUBIN-LES-ELBEUF, 76410, France
HYPERTAC SPA	Ordinary	VIA DA BISSONE 7A, GENOVA, 16153, Italy
INDUFIL BV	Ordinary	Rijnpoot, Groningensingel 1,6835 EA Arnhem, 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	9/311, 31st FLOOR, UM TOWER, RAMKHAMHAENG ROAD, SUANLUANG DISTRICT, BANGKOK, 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, Mugiemooss Road, Bucksburn, Aberdeen, AB21 9NP, Scotland
JOHN CRANE AUSTRALIA PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia

## SUBSIDIARY UNDERTAKINGS CONTINUED

## Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
JOHN CRANE BAKU LLC	Ordinary	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 EMPRESARIAL SAN CAYETANO, BOGOTA, Colombia
JOHN CRANE DOMINICANA SA	Ordinary	CALLE EL RECODO, #2 BELLA VISTA, SANTA DOMINGO, Dominican Republic
JOHN CRANE EGYPT LLC	Ordinary	139, Mogamaa El Masanea Street, El Amireya, CAIRO, EGYPT
JOHN CRANE EGYPT SEALING SYSTEMS LLC	Ordinary	139, Mogamaa El Masanea Street, El Amireya, CAIRO, EGYPT
JOHN CRANE ENDUSTRIYEL SIZDIRMAZLIK SISTEMLERI LTD	Ordinary	Sok. No:41-43, Ferhat Paşa Mah. 25., Ataşehir/İST, 34888
JOHN CRANE FILTRATION TECHNOLOGIES GMBH	Ordinary	Am Zirkus 2, Berlin, 10117, 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	3 STRATIGOU TOBRE STREET, Municipality of Agia Paraskevi, ATHENS, 153 42, Greece
JOHN CRANE HOLLAND BV	Ordinary	BERGEN 9 – 17, BARENDRECHT, ZUID, 2993LR, Netherlands
JOHN CRANE HUNGARY KFT	Ordinary	2040, 2040 BUDAORS, GYAR U. 2, 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 INVESTMENTS LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
JOHN CRANE ITALIA SPA	Ordinary	VIA GIOTTO 3, MUGGIO, 20835, Italy
JOHN CRANE KAZAKHSTAN	Units	Atyrau Region, Gatyrau, Station K Arabathan, House Production Site 14, 060000, 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	Level 11, Menara LGB, 1, Jalan Wan Kadir Taman Tun Dr Ismail, 60000 Kuala Lumpur, WPKL, Malaysia
JOHN CRANE MIDDLE EAST FZE	Ordinary	S20113, JEBEL ALI FREE ZONE, DUBAI, 61040
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 Buczkowi
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	Dvorákovo nábrežie 10, Bratislava – mestská cast Staré Mesto, 811 02, Slovakia
JOHN CRANE SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE	Ordinary	CARRETERA CIUDAD VICTORIA MATAMOROS, KM.173+600, SOLONIA 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, FONG-JEN ROAD, Renwu District, KAOHSIUNG CITY 814, Taiwan (Province of China)

## SUBSIDIARY UNDERTAKINGS CONTINUED

## Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
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	Ordinary	B.SAVVINSKY PER, D.11, MOSCOW, 119435, Russian Federation
MODULAR METAL FABRICATORS, INC.	Ordinary	24600, Nandina Ave, Moreno Valley, CA, 92551, United States
PLAS2 LLC	Units	2601, Texas Drive, Irving, TX, 75062
PLASTRONICS H-PIN, LTD	Units	2601, Texas Drive, Irving, TX, 75062
PLASTRONICS SOCKET PARTNERS, LTD	Ordinary	2601, Texas Drive, Irving, TX, 75062
PLENTY INDIA LIMITED	Ordinary	D-196 Okhla Industrial Area, Phase-1, New Dehli, 110020, India
PROJECT SUGAR LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
ROYAL METAL PRODUCTS, LLC	Ordinary	100 ROYAL WAY, TEMPLE, GEORGIA, 30179, United States
SDI REWORK AND SUSTAINING, LLC	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SEEBACH FILTER SOLUTIONS INDIA PVT. LTD.	Ordinary	Shirwal, Maharashtra 412801, India
SEEBACH GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
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 NUMBER 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	CT Corporation System, 357 East Center Street, Ste. 2J, Manchester, CT 06040-4471, USA
SMITHS CONNECTORS ASIA PTE. LTD.	Ordinary	450, ALEXANDRA ROAD #05-02, SINGAPORE, 119960
SMITHS CONNECTORS ASIA PTE. LTD. KOREA BRANCH	Units	707-ho, 42, Cheongnyong 1-gil, Gwanak-gu, Seoul
SMITHS CONNECTORS TUNISIA SARL	Ordinary	ZONE INDUSTRIELLE ROUTE DE KHNIS, MONASTIR, 5000, Tunisia
SMITHS DETECTION (ASIA PACIFIC) PTE. LTD	Ordinary	450, Alexandra Road, #05-02 UE Bizhub, West Singapore, Singapore
SMITHS DETECTION (AUSTRALIA) PTY LIMITED	Ordinary	BOTANY GROVE ESTATE' UNIT 5, 14A BAKER STREET, BOTANY NSW 2019, AUSTRALIA
SMITHS DETECTION (THAILAND) LIMITED	Ordinary, Preference	99/3 Moo 5, Kingkaew Road, Tambol Rajatheva, Amphoe Bangplee, Samutprakarn Province, 10540, Thailand
SMITHS DETECTION BENELUX B.V.	Ordinary	BERGEN 9 – 17, BARENDRECHT, ZUID, 2993LR, Netherlands
SMITHS DETECTION FRANCE SAS	Ordinary	36 Rue Charles Heller, Vitry sur Seine, F-94400, France
SMITHS DETECTION GERMANY GMBH	Ordinary	Im Herzen 4, Wiesbaden, 65205, Germany
SMITHS DETECTION GMBH	Ordinary	Im Herzen 4, Wiesbaden, 65205, Germany
SMITHS DETECTION GROUP LIMITED	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS DETECTION HONG KONG LIMITED	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong



## SUBSIDIARY UNDERTAKINGS CONTINUED

## Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
SMITHS DETECTION INC.	Ordinary	THE CORPORATION TRUST COMPANY OF NEVADA, 701 S Carson Street, SUITE 200, Carson City, NV, 89701, United States
SMITHS DETECTION INTERNATIONAL, LLC	Equity Interest	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS DETECTION INVESTMENTS LIMITED	Ordinary	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS DETECTION IRELAND LIMITED	Ordinary	Deloitte Offices, 6 Lapps Quay, Cork, Ireland
SMITHS DETECTION ITALIA SRL	Ordinary	VIA GIOTTO 3, MUGGIO, 20835, Italy
SMITHS DETECTION KUWAIT SECURITY DEVICES AND SYSTEMS, THEIR INSTALLATION AND MAINTENENCE (LLC)	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England*
SMITHS DETECTION MALAYSIA SDN BHD	Redeemable	Level 11, Menara LGB, 1, Jalan Wan Kadir Taman Tun Dr Ismail, 60000 Kuala Lumpur, WPKL, Malaysia
SMITHS DETECTION MEXICO S. DE RL DE C.V.	Ordinary	Paseo de la Reforma 505, Col, Cuauhtemoc, 6500, Ciudad de Mexico, Mexico
SMITHS DETECTION MIDDLE EAST FZE	Ordinary	Dubai Airport Free Zone, PO Box 48225, Building No. 8WA (West Side), 401, Dubai, United Arab Emirates
SMITHS DETECTION MONTREAL INC.	Ordinary	3700, Stock Exchange Tower, P.O Box 242, 800 Place Victoria, Montreal, PQ, H4Z 1E9, Canada
SMITHS DETECTION NEW ZEALAND LIMITED	Ordinary	Deloitte Centre, Level 20, 1 Queen Street, Auckland, 1010, New Zealand
SMITHS DETECTION RUS LLC	Ordinary	5-104, Room 501, floor 5, bld.1, Otyabrskaya Emb., St. Petersburg, 193079, Russian Federation
SMITHS DETECTION SAUDI ARABIA LTD	Ordinary	Level 1, Building 7, Zone A, Airport road, Business Gate, P.O Box Riyadh 11683, Kingdom of Saudi Arabia 93597
SMITHS DETECTION SYSTEMS PRIVATE LIMITED	Ordinary	601, Hemkunt Tower, 98 Nehru place, New Delhi, India, 110019
SMITHS DETECTION US HOLDINGS, LLC	Units	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS DETECTION US, LLC	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS DETECTION-WATFORD LIMITED	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
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 SERVICE CORPORATION	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS INDIA SERVICES PRIVATE LIMITED	Ordinary	TowerB Cummins India Office, Campus Flr4 SN21 Balewadi, Baner Gaon, Pune, 411045, India
SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS INTERCONNECT AMERICAS, INC.	Ordinary	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS INTERCONNECT CANADA INC.	Ordinary	16771, Sainte Marie Rd, Kirkland, Quebec, H9H 5H3
SMITHS INTERCONNECT GROUP (HK) CO LTD	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
SMITHS INTERCONNECT GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS INTERCONNECT HONG KONG CO LIMITED	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
SMITHS INTERCONNECT INDIA PRIVATE LIMITED	Ordinary	Vaswani Centropolis, Ground Floor, Vaswani Centropolis, Langford Rd, Akkithmana Halli, Bheemanna Garden, Shanti nagar, Near Jayanagar, Bangalore South, India, Shanthinagar, Bangalore South, 560027, India

\* address of Parent Company

**SUBSIDIARY UNDERTAKINGS CONTINUED****Wholly owned subsidiaries (indirect ownership) continued**

Name	Security	Address
SMITHS INTERCONNECT MEXICO, S.DE R.L. DE C.V.	Ordinary	Carretera Libre Antiguo Camino Tijuana 20221-B, Fideicomiso el Florido, Tijuana, Baja California, 22234, Mexico
SMITHS INTERCONNECT SOCIEDAD ANONIMA	Ordinary	Zona Franca Coyo, Edificio B25.1 La Garita Alajuela 20113, Costa Rica
SMITHS INTERCONNECT, INC.	Ordinary	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS TUBULAR SYSTEMS-LACONIA, INC	Ordinary	CT Corporation System, 9 Capitol Street, Concord, NH 03301, United States
SMITHS WOLVERHAMPTON LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMO DETECTION EQUIPMENT (SHANGHAI) CO., LTD	Ordinary	Room 923B, No 55, Xili Road, Shanghai, (China) Pilot Free Trade Zone, China
STS TITEFLEX INDIA PVT LTD	Ordinary	No 38, KIADB Industrial Area, Bangalor, 561203, India
THE DUC-PAC CORPORATION		1125 Page Boulevard, Springfield, MA, 01028, United States
T I S A (FRANCE)	Ordinary	114, RUE JULES FERRY, B.P.35, DEVILLE-LES-ROUEN, 76250, France
TI GROUP AUTOMOTIVE SYSTEMS (ARGENTINA) SA	Ordinary	AV. LEANDRO N. ALEM 1110, 13 FLOOR, Baker Mackenzie Office, BUENOS AIRES, Argentina
TIGRUP NO. 14 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TITEFLEX COMMERCIAL, INC.	Ordinary	CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States
TITEFLEX CORPORATION	Ordinary	One Corporate Center, Hartford, CT 06103-3220, United States
TITEFLEX EUROPE SAS	Ordinary	22, Avenue Maurice Chevalier, 77833 Ozoir-la-Ferriere, Paris, France
TRAK MICROWAVE LIMITED	Ordinary	29 DUNSINANE AVENUE, DUNDEE, DD2 3QF, Scotland
TUTCO DE MEXICO SRL DE CV	Ordinary	Av. Primero de Mayo Lote 3 Edificio 1B, Prologis Park, Reynosa, 88780, Mexico
TUTCO, LLC	Ordinary	116, Pine Street, 3rd Floor, Suite 320, Harrisburg, PA 17101, United States
US HOSE CORP	Ordinary	815 Forestwood Drive, Romeoville, IL, IL 60446, United States
WATTCO INC.	Ordinary	121 Boulevard, Hymus, Pointe-Clare, QC, Canada

**New Subsidiaries**

SMITHS DETECTION RWANDA LTD*	Ordinary	Remera, Gasabo, Umijyi wa Kigali, Rwanda, PO Box 5208
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**Non wholly-owned subsidiaries, including joint ventures, associates and investments**

Name	% of Group ownership	Security	Address
HUAFENG SMITHS INTERCONNECT (SICHUAN) CO., LTD.	60	Ordinary	No. 120, Sanjiang Avenue, Economic Development Zone, Mianyang, Sichuan Province, China
JOHN CRANE JAPAN INC	70	Ordinary	2222, KAMITOYAMA RITTO CITY, RITTO-SHI, SHIGA-KEN, JAPAN
JOHN CRANE PTY LTD	75	Ordinary	2, JANSEN ROAD, NUFFIELD INDUSTRIAL SITES, SPRINGS GAUTENG, SOUTH AFRICA, 1559
LLC JOHN CRANE ISKRA	50	Ordinary	28, Academica Vedeneeva Street, Perm, Permskiy Region, 614038, Russian Federation
PT JOHN CRANE INDONESIA	99	Ordinary	CILANDAK COMMERCIAL ESTATE BLDG 401A, Jl. KKO CILANDAK, JAKARTA, 12560, Indonesia
SMITHS DETECTION SECURITY SYSTEMS LLC	49	Ordinary	Building No B10, Industrial Mussaffah M44, Sector 15, Offices No (01, 03), Abu Dhabi, United Arab Emirates
XDG SERVICES LIMITED	99	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England

**Overseas Branches**

The Company does not operate through any branches. Some Group subsidiary companies have established branch operations outside the UK.

\* This entity was incorporated on 16 September 2025.

# SUSTAINABILITY DATA DISCLOSURES UNAUDITED

Data is for the global operations of Smiths Group for the 12 months ending 31 July 2025 and the two preceding years.

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected information in respect of FY2025 marked within the column named 'FY2025 assured in FY2025' with Δ. See [www.smiths.com](http://www.smiths.com) for full assurance reports.

## ENVIRONMENT – GROUP DATA

	Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
<b>GREENHOUSE GAS</b>								
<b>GREENHOUSE GAS EMISSIONS</b>								
Scope 1	Scope 1 – Road fleet	tCO <sub>2</sub> e	4,851	5,694	5,376	5,390		
Scope 1	Scope 1 – Site energy	tCO <sub>2</sub> e	12,571	13,064	14,311	14,304		
Scope 1	Scope 1 – Site non-energy	tCO <sub>2</sub> e	243	241	241	241		
Scope 1	Scope 1 – Total	tCO <sub>2</sub> e	17,422	18,758	19,687	19,694		Δ
Scope 2	Scope 2 – Purchased electricity and gas	tCO <sub>2</sub> e	20,286	23,820	21,072	25,955		
Scope 2	Scope 2 – Total (market-based)	tCO <sub>2</sub> e	20,286	23,820	21,072	25,955		Δ
Scope 2	Scope 2 – Total (location-based)	tCO <sub>2</sub> e	46,732	47,150	48,989	47,111		
Scope 3	Scope 3 Category 1 – Purchased goods and services	tCO <sub>2</sub> e	658,938	671,196	728,000	782,000		
Scope 3	Scope 3 Category 2 – Capital goods	tCO <sub>2</sub> e	11,159	9,579	9,410	6,990		
Scope 3	Scope 3 Category 3 – Fuel and energy-related activities	tCO <sub>2</sub> e	12,751	13,308	14,600	20,300		
Scope 3	Scope 3 Category 4 – Upstream transportation and distribution	tCO <sub>2</sub> e	82,920	91,134	75,200	114,000		
Scope 3	Scope 3 Category 5 – Waste generated in operations	tCO <sub>2</sub> e	2,984	2,676	5,066	4,700		
Scope 3	Scope 3 Category 6 – Business travel	tCO <sub>2</sub> e	10,458	11,559	12,200	12,500		
Scope 3	Scope 3 Category 7 – Employee commuting	tCO <sub>2</sub> e	29,017	29,837	23,000	27,500		
Scope 3	Scope 3 Category 8 – Upstream leased assets. Excluded from inventory as immaterial	tCO <sub>2</sub> e	–	–	–	–		
Scope 3	Scope 3 Category 9 – Downstream transportation and distribution	tCO <sub>2</sub> e	29,179	33,660	29,300	50,100		
Scope 3	Scope 3 Category 10 – Processing of sold products. Excluded from inventory as immaterial	tCO <sub>2</sub> e	–	–	–	–		
Scope 3	Scope 3 Category 11 – Use of sold products	tCO <sub>2</sub> e	345,426	237,185	240,000	326,000		
Scope 3	Scope 3 Category 12 – End of life treatment of sold products	tCO <sub>2</sub> e	4,767	6,869	8,120	8,820		
Scope 3	Scope 3 Category 13 – Downstream leased assets. Excluded from inventory as immaterial	tCO <sub>2</sub> e	–	–	–	–		



### Footnotes

1 FY2024 energy and GHG data restated. See page 55.



## ESG DATA DISCLOSURES CONTINUED

	Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
Scope 3	Scope 3 Category 14 – Franchises. Excluded from inventory as immaterial	tCO <sub>2</sub> e	–	–	–	–		
Scope 3	Scope 3 Category 15 – Investments	tCO <sub>2</sub> e	458	44,464	23,150	31,500		
Total	Total Scope 1&2 (market-based)	tCO <sub>2</sub> e	37,708	42,578	40,759	45,649	17.5% reduction by FY2027 Net Zero by 2030	Δ
Total	Total Scope 1&2 (location-based)	tCO <sub>2</sub> e	64,154	65,908	68,676	66,805		
Total	Total Scope 3	tCO <sub>2</sub> e	1,188,057	1,151,467	1,170,000	1,380,000	Net Zero by 2050	Δ
Total	Total Scope 1, 2, 3 GHG (market-based)	tCO <sub>2</sub> e	1,225,765	1,194,045	1,210,759	1,425,649		
Total	Total Scope 1, 2, 3 GHG (location-based)	tCO <sub>2</sub> e	1,252,211	1,217,375	1,238,676	1,446,805		
<b>GREENHOUSE GAS EMISSIONS (INTENSITY)</b>								
GHG emissions intensity	Scope 1 – Intensity	tCO <sub>2</sub> e/£m revenue	5.22	5.99	6.29	6.48		
GHG emissions intensity	Scope 2 – Intensity (market-based)	tCO <sub>2</sub> e/£m revenue	6.08	7.61	6.73	8.55		
GHG emissions intensity	Scope 1&2 – Intensity (market-based)	tCO <sub>2</sub> e/£m revenue	11.30	13.59	13.02	15.03		
GHG emissions intensity	Scope 3 – Intensity	tCO <sub>2</sub> e/£m revenue	356.13	367.65	374.00	454.00		
GHG emissions intensity	Scope 1, 2 & 3 GHG emissions intensity, location-based	tCO <sub>2</sub> e/£m revenue	375.36	386.40	395.49	476.39		
GHG emissions intensity	Scope 1, 2 & 3 GHG emissions intensity, market-based	tCO <sub>2</sub> e/£m revenue	367.44	378.95	386.58	469.43		
<b>UK GREENHOUSE GAS EMISSIONS</b>								
UK GHG emissions	Total Scope 1&2 GHG	tCO <sub>2</sub> e	1,228	1,341	1,290	1,779		
<b>NON-GREENHOUSE GAS EMISSIONS</b>								
Volatile Organic Compounds (VOCs)	Consumed volatile organic compounds (VOCs)	kg	40,125	44,641	44,641	51,146		

**ENERGY****RENEWABLE ENERGY**

Total	Total energy consumption from renewable resources	MWh	89,205	93,891	88,158	93,780		
Total	Total renewable energy consumption used for electricity	MWh	89,205	93,891	88,158	88,165	80% by FY2027	
	Total % of electricity from renewable sources	%	74%	73%	73%	70%		
Total	Total % of energy derived from renewable sources	%	42%	43%	41%	43%		
Total	Total renewable energy produced on-site	MWh	2,599	1,745	1,745	1,120		
Solar: No. of manufacturing sites of over 10,000sq ft with solar/%			6	3	3	1		

**ENERGY (RENEWABLE AND NON-RENEWABLE)**

Total	Total energy consumption	MWh	213,519	218,344	215,027	218,094	2% reduction FY2026 vs FY2025	Δ
Total	Total non-renewable energy consumption	MWh	124,314	124,453	126,869	129,929		
Total	Total energy consumption used for electricity (renewable and non-renewable)	MWh	128,468	128,212	125,535	125,950		

**Footnotes**

1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

	Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
<b>TOTAL ENERGY BY SOURCE (NON-RENEWABLE)</b>								
Energy consumption by type	Breakdown by type of fuel consumption for energy purposes – Natural gas	MWh	49,683	51,215	51,764	58,342		
Energy consumption by type	Breakdown by type of fuel consumption for energy purposes – LPG or Propane	MWh	2,473	2,729	2,729	2,686		
Energy consumption by type	Breakdown by type of fuel consumption for energy purposes – Petrol	MWh	502	558	558	538		
Energy consumption by type	Breakdown by type of fuel consumption for energy purposes – Gasoline	MWh	31,256	34,700	33,519	30,578		
Energy consumption by type	Breakdown by type of fuel consumption for energy purposes – Other	MWh	1,136	929	929	–		
Energy consumption by type	Total energy consumption from fossil fuels (excl. electricity)	MWh	85,050	90,131	89,499	92,144		
<b>ENERGY EFFICIENCY</b>								
Total	Energy efficiency	MWh/£m revenue	64	70	69	72		Δ
Total energy efficiency/reduction projects	Total projects completed in FY2025	Number	175	–	–	–		
<b>WATER</b>								
<b>WATER STRESS – CONSUMPTION</b>								
Total water consumption	Total water consumption in water-stressed areas	m <sup>3</sup>	37,999	–	37,872	36,582		
<b>WATER STRESS – BY SOURCE</b>								
Total water withdrawal	Total water withdrawal in water-stressed areas	m <sup>3</sup>	7,811	–	7,785	7,225		
Water withdrawal by source	Ground water used	m <sup>3</sup>	7,811	–	7,785	7,225		
Water withdrawal by source	Reservoir water used	m <sup>3</sup>	0	–	0	–		
Water usage by source	Public system water used	m <sup>3</sup>	15,820	–	15,767	16,693		
Water usage by source	Water used – other supply	m <sup>3</sup>	14,368	–	14,320	12,664		
Water intensity ratio	Water intensity ratio – water stressed sites	m <sup>3</sup> /£m revenue	11.39	–	12.09	12.05	5% reduction FY2025-FY2027	
Water policy	Water policy	Narrative	Yes	–	Yes	Yes		
Water-stress risk assessment framework	Disclosure of a water-stress risk assessment process	Narrative	Yes	–	–	–		
Water scarcity rating for large sites	Number of sites with an 'extremely high' water stress rating	No. of sites	10	–	10	10		
Water stress exposure percentage	Water stress exposure percentage	%	17%	–	16%	14%		



## Footnotes

1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

	Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
<b>GLOBAL WATER DATA – BY SOURCE</b>								
Total water consumption by source for all monitored sites	Total water consumption	m <sup>3</sup>	220,133	–	239,603	263,024		
Water usage by source for all monitored sites	Public system water used	m <sup>3</sup>	175,966	–	191,530	215,030		
Water usage by source for all monitored sites	Water used – other supply	m <sup>3</sup>	34,947	–	38,038	37,343		
Total water withdrawal from all monitored sites	Total water withdrawals	m <sup>3</sup>	9,220	–	10,035	10,651		
Water withdrawal by source for all monitored sites	Ground water used	m <sup>3</sup>	9,086	–	9,889	10,651		
Water withdrawal by source for all monitored sites	Reservoir water used	m <sup>3</sup>	134	–	146	–		
Water usage by source for all monitored sites	Water intensity ratio – global sites	m <sup>3</sup>	65.99	–	76.50	86.61		
Water usage for all other sites	Estimated water consumption for all other sites	m <sup>3</sup>	18,674	–	20,326	22,313		
<b>WASTE &amp; RECYCLING</b>								
<b>RECYCLING</b>								
Recycling	Total recycled waste	Tonnes	9,766	–	9,606	9,015		
Recycling	Non-hazardous waste recycled	Tonnes	9,183	–	8,577	8,296		
<b>HAZARDOUS WASTE</b>								
Hazardous waste	Total hazardous waste	Tonnes	1,037	–	1,333	1,165		
<b>NON-HAZARDOUS WASTE</b>								
Waste by type	Total non-hazardous	Tonnes	13,282	–	12,459	11,957		
Waste by type	Non-hazardous waste recycled	Tonnes	9,183	–	8,577	8,296		
Waste by type	Non-hazardous waste incinerated	Tonnes	116	–	129	129		
<b>TOTAL WASTE MANAGEMENT</b>								
Waste by type	Total waste	Tonnes	14,319	–	13,792	13,122		
Waste by type	Total hazardous waste	Tonnes	1,037	–	1,333	1,165		
Waste by type	Total non-hazardous waste	Tonnes	13,282	–	12,459	11,957		
Waste by type	Total recycled waste	Tonnes	9,766	–	9,606	9,015		
Waste by type	Total incinerated waste	Tonnes	233	–	156	205		
Waste by type	Total non-recycled waste	Tonnes	3,981	–	4,158	4,029		
Waste by type	Total non-recycled waste (%)	%	28%	–	30%	31%		
Waste by type	Non-hazardous waste recycled	Tonnes	9,183	–	8,577	8,296		
Waste by type	Non-hazardous waste incinerated	Tonnes	116	–	129	129		
Normalised waste	Normalised waste	Tonnes/£m revenue	1.25	–	1.32	1.30	5% reduction FY2025-FY2027	
Waste policy	Waste policy	Narrative	Yes	–	Yes	Yes		



## Footnotes

1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
<b>ENVIRONMENTAL POLICIES AND PROJECTS</b>							
<b>ENVIRONMENTAL POLICIES</b>							
Environmental sustainability policy		Yes	–	Yes	Yes		
<b>ENVIRONMENTAL PROJECTS</b>							
Total water reduction projects	Water projects completed in year	Number	14	–	30	22	30 water saving projects FY2025-2027
Total waste/circularity projects	Waste/circularity projects completed in year	Number	9	new disclosure for FY2025			30 waste/circularity projects FY2025-2027
Total biodiversity projects	Biodiversity projects completed in year	Number	9	new disclosure for FY2025			30 biodiversity projects FY2025-2027
Total packaging projects	Packaging projects completed in year	Number	7	–	29	11	
Total energy efficiency/reduction projects	Energy projects completed in year	Number	136	new disclosure for FY2025			
Total investment into energy/sustainability projects	Total investment (CapEx) into projects	£'million	3.26	new disclosure for FY2025			
Total savings from energy projects (£)	Total savings from energy projects (£)	£'000	205	new disclosure for FY2025			
Total savings from energy projects (MWh)	Total savings from energy projects (MWh)	MWh	13,471	new disclosure for FY2025			
Total savings from energy projects (tCO <sub>2</sub> e)	Total savings from energy projects (tCO <sub>2</sub> e)	tCO <sub>2</sub> e		new disclosure for FY2025			
Total solar panels installed	Total solar panels installed cumulatively	Number	2,150	–	1,702	1,800	
Total spend on solar projects	Total spend on solar projects in the year	£	140,000	–	528,000	400,000	
<b>ROAD FLEET</b>							
<b>GLOBAL ROAD FLEET BY TYPE</b>							
Road fleet	Total vehicles	Number	1,245	–	1,167	1,025	
Road fleet	Percentage of hybrid vehicles	%	5%	–	4%	4%	
Road fleet	Number of battery electric vehicles (BEVs)	Number	193	–	112	17	
Road fleet	Percentage of vehicles that are BEVs	%	16%	–	10%	0%	
<b>GLOBAL ROAD FLEET (ENERGY)</b>							
Road fleet	Vehicle GHG intensity	tCO <sub>2</sub> e	4,851	5,694	5,376	5,390	
Road fleet	Fleet fuel consumed	litres	506,459	627,167	587,215	573,231	
Road fleet	Fleet energy	MWh	19,758	22,620	21,261	21,033	
<b>BIODIVERSITY</b>							
Number of operational sites in biodiversity sensitive areas	Number of operational sites in biodiversity sensitive areas	Number	0	–	0	–	
Area of operational sites in biodiversity sensitive areas	Area of operational sites in biodiversity sensitive areas	sq ft	0	–	0	–	
Disclosure of biodiversity risk assessment framework	Disclosure of a biodiversity risk assessment	Qualitative	Yes	–	–	–	
Partnership with environmental conservation charity	Disclosure of a corporate partnership with an environmental conservation charity	Qualitative	Yes	–	–	–	



## Footnotes

1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

	Data point	Unit	FY2025	FY2024 restated <sup>1</sup>	FY2024 as previously published	FY2023 as previously published	Target	FY2025 assured in FY2025
<b>OTHER DATA</b>								
<b>R&amp;D</b>								
Group Total – Gross vitality (revenue contribution of products launched in the last five years)	Gross vitality (revenue contribution of products launched in the last five years)	%	30.8%	–	28.5%	31%		
Group Total – R&D spend	R&D spend	million £	143	–	109	113		
Group Total – R&D spend as a percentage of sales	R&D spend as a percentage of sales	%	4.3%	–	3.5%	3.7%		
<b>RESPONSIBLE SUPPLY CHAIN</b>								
Percentage of supplier spend with verified SBTs	Group total	%	9%	–	10%	–	25% of supplier spend SBTi aligned by FY2027	
Percentage of supplier spend assessed by EcoVadis (achieving a score over 45)	Group total	%	28%	–	12%	–	40% of supplier spend evaluated by FY2027	
Ethical behaviour of suppliers policy	Ethical behaviour of suppliers policy	Narrative	Yes	–	Yes	Yes		
Supplier Code	Supplier Code	Narrative	Yes	–	Yes	Yes		
ESG due diligence supply chain policy	ESG due diligence supply chain policy	Narrative	Yes	–	Yes	–		
Human rights supply chain due diligence policy	Human rights supply chain due diligence policy	Narrative	Yes	–	Yes	Yes		
Supplier assessments	Total supplier assessments via EcoVadis	Number	214	–	–	–		
<b>ISO 14001 CERTIFICATION</b>								
Total sites certified to ISO 14001	Group total	% of eligible sites	100%	–	–	–		
Total sites certified to ISO 14001	Group total	Number of sites	100	–	68	68		
Total sites certified to ISO 14001	John Crane	Number of sites	73	–	41	41		
Total sites certified to ISO 14001	Detection	Number of sites	5	–	5	5		
Total sites certified to ISO 14001	Interconnect	Number of sites	13	–	14	14		
Total sites certified to ISO 14001	FlexTek	Number of sites	9	–	8	8		
<b>ISO 45001 CERTIFICATION</b>								
Total manufacturing sites certified to ISO 45001	Group total	% of manufacturing sites	100%	–	–	–		
Total manufacturing sites certified to ISO 45001	Group total	Number of sites	95	–	71	71		
Total manufacturing sites certified to ISO 45001	John Crane	Number of sites	66	–	43	43		
Total manufacturing sites certified to ISO 45001	Detection	Number of sites	6	–	5	5		
Total manufacturing sites certified to ISO 45001	Interconnect	Number of sites	13	–	14	14		
Total manufacturing sites certified to ISO 45001	FlexTek	Number of sites	10	–	9	9		



## Footnotes

1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

Data point		Unit	FY2025	FY2024 restated	FY2024	FY2023	Target	Assured in FY2025
<b>ENVIRONMENT – BUSINESS DATA</b>								
<b>ENERGY</b>								
<b>ENERGY BY BUSINESS</b>								
Total electrical power use by business	John Crane	MWh	45,365	45,805	44,167	46,778		
Total electrical power use by business	Smiths Detection	MWh	11,978	12,620	12,323	11,997		
Total electrical power use by business	Flex-Tek	MWh	54,311	53,247	52,993	50,884		
Total electrical power use by business	Interconnect	MWh	16,164	15,817	15,763	15,948		
Total electrical power use by business	Group/Corporate	MWh	652	723	289	344		
Total energy use by region or business (MWh)	John Crane	MWh	83,058	88,079	85,589	93,425		
Total energy use by region or business (MWh)	Smiths Detection	MWh	21,407	21,391	21,385	21,462		
Total energy use by region or business (MWh)	Flex-Tek	MWh	89,503	88,771	88,373	83,519		
Total energy use by region or business (MWh)	Interconnect	MWh	18,574	19,151	19,289	19,139		
Total energy use by region or business (MWh)	Group/Corporate	MWh	977	952	392	549		
Total energy use by region or business (MWh)	Total Energy (UK)	MWh	9,385	9,661	17,906	11,394		
<b>RENEWABLE ENERGY PERCENTAGE BY BUSINESS</b>								
Total renewable energy percentage by business	John Crane	%	74%	69%	72%	71%		
Total renewable energy percentage by business	Smiths Detection	%	100%	99%	99%	98%		
Total renewable energy percentage by business	Flex-Tek	%	77%	70%	73%	66%		
Total renewable energy percentage by business	Interconnect	%	50%	61%	59%	59%		
Total renewable energy percentage by business	Smiths Group	%	74%	71%	73%	71%		
<b>GREENHOUSE GAS</b>								
<b>TOTAL GHG EMISSIONS BY BUSINESS</b>								
Total Scope 1 & 2 GHG emissions by business	John Crane	tCO <sub>2</sub> e	14,673	18,629	17,295	21,044		
Total Scope 1 & 2 GHG emissions by business	Smiths Detection	tCO <sub>2</sub> e	2,898	2,621	2,526	2,621		
Total Scope 1 & 2 GHG emissions by business	Flex-Tek	tCO <sub>2</sub> e	14,846	16,230	15,625	16,988		
Total Scope 1 & 2 GHG emissions by business	Interconnect	tCO <sub>2</sub> e	4,909	4,685	5,119	4,818		
Total Scope 1 & 2 GHG emissions by business	Group/Corporate	tCO <sub>2</sub> e	382	412	193	178		



## Footnotes

- 1 FY2024 energy and GHG data restated. See page 55.

## ESG DATA DISCLOSURES CONTINUED

Data is for the global operations of Smiths Group for the 12 months ending 31 July 2025 and the two preceding years.

## SOCIAL

	Unit	FY2025	FY2024	FY2023	Target
<b>EMPLOYEES</b>					
Number of employees – John Crane	Number	6,395	6,229	6,109	
Number of employees – Smiths Detection	Number	3,430	3,267	3,123	
Number of employees – Flex-Tek	Number	3,721	3,655	3,327	
Number of employees – Smiths Interconnect	Number	2,045	2,016	2,052	
Number of employees – Group	Number	512	566	545	
Total number of employees	Number	16,103			
Women percentage of Smiths employees	%	29%	29%	29%	
Men percentage of Smiths employees	%	71%	71%	71%	
<b>MANAGEMENT DIVERSITY</b>					
Women percentage of Smiths Executive Committee	%	33%	36%	25%	
Men percentage of Smiths Executive Committee	%	67%	64%	75%	
Women percentage of Smiths Senior Leadership Team	%	28%	27%	25%	30% by FY2025
Men percentage of Smiths Senior Leadership Team	%	72%	73%	75%	
Women percentage of senior management (Companies Act definition)	%	21%	17%	17%	
Men percentage of senior management (Companies Act definition)	%	79%	83%	83%	
Women percentage of senior management (UK Code definition)	%	38%	38%	36%	
Men percentage of senior management (UK Code definition)	%	62%	62%	64%	
Women percentage of senior management (FTSE Women Leaders definition)	%	38%	35%	36%	
Men percentage of senior management (FTSE Women Leaders definition)	%	62%	65%	64%	
Women percentage of Smiths management	%	25%	24%	23%	
Men percentage of Smiths management	%	75%	76%	77%	
Ethnic diversity percentage of UK senior management (Parker Review definition)	%	13%	–	–	17% by 2027
Number in executive management – Men	Number	7	8	10	
Number in executive management – Women	Number	3	4	3	
Number in executive management – White British or Other White (including minority White groups)	Number	9	10	12	
Number in executive management – Asian/Asian British	Number	1	2	1	



## ESG DATA DISCLOSURES CONTINUED

	Unit	FY2025	FY2024	FY2023	Target
<b>BOARD DIVERSITY</b>					
Number of Board members – Men	Number	8	6	6	
Number of Board members – Women	Number	3	4	4	
Number of senior positions on the Board (CEO, CFO, SID and Chair) – Men	Number	4	3	3	
Number of senior positions on the Board (CEO, CFO, SID and Chair) – Women	Number	0	1	1	
Number of Board members – White British or Other White (including minority White groups)	Number	9	8	8	
Number of Board members – Asian/Asian British	Number	2	2	2	
Number of senior positions on the Board (CEO, CFO, SID and Chair) – White British or Other White (including minority White groups)	Number	4	4	4	
Number of senior positions on the Board (CEO, CFO, SID and Chair) – Asian/Asian British	Number	0	0	0	
<b>EMPLOYEE SATISFACTION</b>					
Overall employee engagement score	Number	72	75	73	Top quartile
Survey response rate	%	78%	85%	84%	
Employee perceptions of the opportunities for personal development and growth	Number	68	69	68	
Employee perceptions of respectful treatment	Number	77	80	n/a	
Employee perceptions of commitment to mental well-being	Number	65	68	n/a	
Employee perceptions of commitment to safety	Number	82	84	82	
Employee perceptions of commitment to ethical behaviour	Number	71	72	70	
Employee perceptions of commitment to environment	Number	76	77	75	
<b>EMPLOYEE RECRUITMENT AND RETENTION</b>					
Overall rate of roles taken by internal candidates	%	75%	75%	70%	60%
Voluntary employee turnover – recent hires	%	17.6%	16.9%	24.5%	
Voluntary employee turnover – total	%	8.7%	8.9%	12.5%	
Employee turnover rate	%	13.5%	13.7%	20.2%	
Number of Early Careers participants	Number	431	323	278	
<b>WORKPLACE HEALTH AND SAFETY</b>					
Total recordable injury rate (RIR)	Number	0.28	0.44 <sup>1</sup>	0.41	<0.4
Total recordable injuries	Number	41	71 <sup>1</sup>	64	
Lost time injury rate (per thousand hours worked) (employees)	Number	0.9	0.21	0.14	
Fatalities (employees)	Number	0	0	0	
Fatalities (contractors)	Number	0	0	0	
Health, safety and well-being policy	Narrative	Yes	Yes	Yes	
HSE reporting policy	Narrative	Yes	Yes	Yes	
<b>POLICIES</b>					
Fair employment policy	Narrative	Yes	Yes	Yes	
Human rights policy	Narrative	Yes	Yes	Yes	
Diversity and inclusion policy	Narrative	Yes	Yes	Yes	
<b>COMMUNITY/PHILANTHROPY</b>					
Total funds granted by Smiths Group Foundation cumulatively	Million £	£1.675m	c.£1m	–	
Number of organisations supported through Smiths Group Foundation grants	Number	7	12	–	



## Footnotes

- 1 12 month Group safety scorecard for the FY2024 period shows 0.40 RIR and 63 recordable injuries.



ESG DATA DISCLOSURES CONTINUED

	Unit	FY2025	FY2024	FY2023	Target
GOVERNANCE					
BUSINESS ETHICS					
Ethics policy	Narrative	Yes	Yes	Yes	
Speak out policy	Narrative	Yes	Yes	Yes	
Agents and distributors policy	Narrative	Yes	Yes	Yes	
Anti-corruption policy	Narrative	Yes	Yes	Yes	
Concerns reported through company Speak Out helpline	Number	328	283	299	
Percentage substantiated	%	20%	38%	23%	
POLITICAL DONATIONS					
Contributions to political parties	£	0	0	0	
Political activities policy	Narrative	Yes	Yes	Yes	
Charitable donations policy	Narrative	Yes	Yes	Yes	



# SHAREHOLDER INFORMATION

## Financial calendar

	2025	2026 [provisional]
Announcement of FY2025 Results	23 September	
Dividend ex-dividend date	16 October	
Dividend record date	17 October	
Last DRIP election date	31 October	
Annual General Meeting	19 November	
Q1 Trading Update	19 November	
Dividend payment date	21 November	
Announcement of FY2026 Interim Results		24 March
Interim dividend ex-dividend date		2 April
Interim dividend record date		7 April
Last DRIP election date		21 April
Interim dividend payment date		13 May
Q3 Trading Update		26 May
FY2026 financial year end		31 July
Announcement of FY2026 Results		22 September

## Registered Office

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Incorporated in England & Wales  
Company No. 137013

[www.smiths.com](http://www.smiths.com)

## Registrars

Our share register is maintained by Equiniti. If you have any questions about your Smiths shares, please contact Equiniti [www.shareview.co.uk](http://www.shareview.co.uk).

## 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](http://www.relayuk.bt.com) for more information.

## Write to:

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Equiniti offers the Shareview portfolio service to investors; visit [www.shareview.co.uk](http://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 [www.shareview.co.uk](http://www.shareview.co.uk). 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.

## Ordinary shares

The market value of an ordinary share of the Company on 31 March 1982 for the purposes of capital gains tax was 136.875p (taking into account the sub-division of 50p shares into 25p shares on 14 January 1985 and the sub-division and consolidation of 25p shares into 37.5p shares on 18 June 2007).

## Annual General Meeting (AGM)

The 2025 Smiths Group plc AGM will be held at 11.00am on Wednesday 19 November 2025 at Freshfields LLP, 100 Bishopsgate, London EC2P 2SR. The Notice of AGM is a separate document which is sent out at least 20 working days before the AGM and made available on our website. 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. The meeting will be webcast and may be viewed online by registering on our website [www.smiths.com](http://www.smiths.com).

Shareholders, their appointed proxies and authorised corporate representatives have the right to ask questions at the AGM relating to the business of the meeting. Such persons will also be able to submit questions to the AGM in advance by emailing [secretary@smiths.com](mailto:secretary@smiths.com) by 6.00pm on Wednesday 12 November 2025. Shareholders who submit questions in advance of the AGM should include their full name and Shareholder Reference Number in their email. The responses to the pre-submitted questions will be answered at the AGM. Please note that where a number of similar questions have been asked, we will group these accordingly.

Shareholders who are unable to attend the AGM in person are encouraged to vote their shares by appointing a proxy and issuing voting instructions. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrar not later than 48 hours before the AGM is held in order to be valid. Shareholders who are not CREST members can appoint a proxy and vote online by visiting [www.shareview.co.uk](http://www.shareview.co.uk). CREST members, CREST personal members and other CREST-sponsored members should consult the CREST Manual or their sponsor or voting service provider for instructions on electronic proxy appointment and voting.



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Front cover photography by Marcus Harvey

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# smiths

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