SMITHS GROUP PLC – FULL YEAR RESULTS FOR 12 MONTHS ENDED 31 JULY 2026

Pioneers of progress – engineering a better future

Year of significant strategic progress, strengthening focus on higher growth and margin

Roland Carter, Chief Executive Officer, commented:

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

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

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

KEY HIGHLIGHTS

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

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

Statutory reporting and definitions

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

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

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

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

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

Presentation

A webcast presentation and Q&A will begin at 08.00 (UK time) today at: https://smiths.com/investors/results-reports-and-presentations. A recording will be available from 13.00 (UK time).

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About Smiths

For 175 years, we have been pioneers of progress, engineering a better future. Our strategy is to be a focused, efficient and value creating industrial engineering company operating in the attractive and growing market segments of flow control, thermal solutions, construction and aerospace.

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 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. For more information visit www.smiths.com.

Legal Entity Identifier (LEI): 213800MJL6IPZS3ASA11

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and/or current expectations of Smiths Group plc and its subsidiaries and those of their respective officers, directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies, and the businesses operated by the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. The Company and its directors accept no liability to third parties. This document contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

UPCOMING EVENTS

Date	Event
15 October 2026	Final Ex-Dividend Date
16 October 2026	Final Dividend Record Date
18 November 2026	Q1 Trading Update / AGM
23 November 2026	Final Dividend Payment Date

BUSINESS UPDATE

Smiths – a focused, premium industrial engineering company

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

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

Financial performance

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

- Organic revenue grew +1.2%:
  - John Crane grew +2.3% with a strong performance in the Americas, in original equipment sales and in dry gas seals. Growth was negatively impacted by ~£20m due to the conflict in the Middle East; growth excluding this impact was ~4%;
  - Flex-Tek declined (0.4)% with strong aerospace growth more than offset by declines in the HVAC US residential construction market and lower revenue in Thermal Solutions;
- Headline operating profit grew +1.9% organically to £399m, ahead of expectations, with headline operating profit margin expanding to 20.6% and a return on invested capital of 23.5%;
- Strong cash generation with operating cash conversion of 96%;
- Strong headline EPS growth of +12.0% on a reported basis, where growth in underlying earnings was further enhanced by the share buyback programme and acquisitions.

Strong market positions aligned to structural growth trends

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

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

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

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

Underpinning these trends is the ongoing focus on productivity and sustainability. Demand for our products is driven by customers' desire to improve resource efficiency, drive production and reduce emissions. Whilst geopolitical uncertainty and volatility is increasingly the new normality, our business model provides resilience to challenging conditions and the flexibility to take advantage of new opportunities as they emerge.

Smiths Growth Algorithm

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

Accelerate

We are accelerating the pace of delivery of our strategic growth initiatives and increasing investment behind the highest return opportunities. By strengthening our product offering, strategic pricing, expanding into higher-growth adjacencies and investing in commercial excellence, we expect to drive above market growth.

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

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

Innovate

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

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

Examples during FY2026 include:

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

Execute

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

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

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

Through this period of transformation, we are strengthening the **culture** to build a more agile, empowered and accountable organisation focused on delivering for our customers. Our refreshed Smiths Values reinforce our commitment to safety and wellbeing, and investment in talent development, career pathways and succession planning is focused on building the leadership and engineering capabilities to support long-term growth.

Compound

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

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

Disciplined capital allocation

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

- **Organic growth** – RD&E (research, development and engineering, 3-4% of revenue) and capital expenditure (2-3%) supports continued investment into organic growth opportunities. We continue to identify opportunities to expand investment, whilst delivering operating margin in the medium-term target 21-23% range.

- **Value-accretive acquisitions** – our strategy is to recycle generated free cashflow into acquisitions in high-growth adjacencies to compound organic growth. We will invest inorganically in businesses that align with, or are adjacent to, our existing portfolio, in attractive long-term market sub-segments supported by structural trends.
- **Portfolio management** – we continue to evaluate the shape of the portfolio and exit non-core activities. This year, we elected to divest four Flex-Tek industrial businesses, with sales agreed for three of them for a combined value of £40m, with two of the sales completed in FY2026.
- **Progressive dividends** – in alignment with our progressive dividend policy, the Board is recommending a dividend increase of +5.4%, the 75th year of successive dividend payments.
- **Enhanced shareholder returns** – the portfolio reshaping has enabled enhanced returns to shareholders, with £2.6bn returned in the past five years. Following the completion of the FY2025 £500m share buyback programme in December, a further £1bn related to the proceeds from the sale of Smiths Interconnect has now been returned. A further £1.5bn is still to be executed in relation to the Smiths Detection proceeds and is expected to be substantially completed by end of calendar year 2027. The General Meeting held in July to increase our authority to repurchase shares demonstrates our desire to action this at pace.
- **Balance sheet strength** – we look at means to strengthen our balance sheet and improve the quality of our free cashflow. During the year, we completed the buy-in of the Smiths Industries Pension Scheme and buy-out of the TI Group Pension Scheme. We are also announcing today that our US John Crane business will begin a marketing process for the divestiture of its legacy asbestos liabilities. If successful, this transaction would remove the asbestos liability from the balance sheet, increase free cashflow and available capital and reduce earnings volatility.

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

FY2027 outlook and medium-term guidance

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

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

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

We expect headline operating cash conversion of low 90%s.

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

Medium-term targets

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

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

FINANCIAL REVIEW

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

Revenue

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

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

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

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

Operating profit

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

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

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

- **John Crane** operating margin expanded +30bps organically, driven by increased pricing and positive mix, Smiths Excellence and Acceleration Plan benefits, alongside an increase in strategic growth investments;

- **Flex-Tek**'s margin declined (80)bps organically, reflecting lower volume and mix impacts following the completion of a higher-margin heating project and the net impact from US tariffs.

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

Earnings per share

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

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

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

Cashflow

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

Capital allocation

Organic investment

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

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

Value-creative M&A

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

Enhanced shareholder returns – share buyback and dividend

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

Net debt and leverage

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

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

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

Statutory results

Income statement and cashflow

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

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

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

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

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

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

Pensions

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

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

Litigation

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

Foreign exchange

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

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

Investment in our people and sustainability enables the success of our strategy

We take a disciplined, commercially grounded approach to sustainability, focused on the issues that matter most to our business, stakeholders and wider value chain.

In FY2026, we continued to strengthen our sustainability framework and climate-related disclosures in line with evolving reporting requirements and regulatory expectations. We completed a review of our climate risks, opportunities and targets following the divestments and are undertaking a refresh of our Science Based Targets to align with the remaining businesses. We have made good progress in reducing the environmental impact of our operations, achieving a 6% reduction in Scope 1 and 2 emissions and a 5% reduction in energy use compared with FY2025, while maintaining 75% renewable electricity across the business. We are also on track for our environmental targets through FY2027 covering energy, emissions, supplier engagement and resource efficiency.

Our sustainability data and reporting processes continue to be supported by Watershed and independent assurance, helping to improve transparency, consistency and decision-making. We have continued to expand supplier engagement through EcoVadis, with 35% (FY2025: 28%) of supplier spend evaluated by the end of the year and remain on track towards our FY2027 targets for supplier assessment within our supply chain. In FY2027, we will focus on readiness for compliance with regulations such as CSRD and IFRS S1 & S2 disclosures.

Environmental metrics	Target FY2025-2027	FY2026
Energy reduction[1]	2% in FY2026	5%
Renewable electricity	80% by FY2027	75%
Scope 1 & 2 GHG[2] emissions reductions[3]	17.5% reduction by FY2027	20%
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027	35%
Normalised non-recyclable waste[3]	5% reduction normalised to revenue	10%
Normalised water use in stressed areas[3,4]	5% reduction normalised to revenue	7%

1 The energy reduction target is 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), on a continuing basis
2 Scope 1, 2 and 3 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol
3 Continuing operations including acquisitions against the FY2024 base year
4 Across seven identified water stressed areas

Safety, alongside health and wellbeing, is an essential foundation of our success and we are focused on achieving excellence through strong leadership, grassroots ownership and a culture of care. Our FY2026 recordable incident rate was 0.52 (FY2025: 0.35). Although this is not the improvement we targeted, the long-term trend is positive, and we consistently average lower than the Industrial Manufacturing & Services benchmark. To re-emphasise our commitment, we have now included 'Safety' as one of the Smiths Values and are implementing a new health and safety software tool for improved capture, understanding and action on safety. In relation to wellbeing, we have enhanced leadership capability through bespoke training and practical tools and introduced further widespread training to establish a consistent baseline of safety and wellbeing knowledge at the grassroots.

Continued investment in our people underpins the delivery of our strategic priorities. During FY2026, we strengthened future capability through the establishment of a Technology Steering Group and the development of more than 20 integrated product, technology, process, materials and skills roadmaps, providing a clear five-year view of strategic priorities, capability requirements and investment needs across the business. The skills roadmaps also informed workforce planning and future capability development.

We continued to evolve our Excellence programme towards a culture of continuous improvement and daily value creation, with around 400 Yellow Belt projects registered during the year. 84% of employees have completed Excellence Fundamentals training and we have more than 800 Yellow Belts across the organisation. In parallel, our partnership with the UK Manufacturing Technology Centre advanced technology and manufacturing capability through four completed projects and a growing pipeline of future opportunities.

Our people are enthusiastic about supporting our communities and making a positive social impact. Since 2023, the Smiths Foundation has awarded grants totalling c.£3m to 32 colleague-nominated charities across 16 countries. In FY2026, to mark our 175th anniversary and founding in 1851, the Board approved the retention of £18.51m from divestment proceeds, increasing the Foundation's fund to c.£25m. This has enabled the Foundation to expand its activities across three strategic funding streams: scholarships and education, colleague-nominated charitable partnerships as previously, and biodiversity and environment. Together, these programmes provide a strong platform for delivering long-term, purpose-led impact aligned with our strategy with annual funding of £2-3m.

Board changes

During the year, there were several changes to the Board. Following the November 2025 AGM, Mark Seligman, Noel Tata and Karin Hoeing retired from the Board and Dame Ann Dowling was appointed as Senior Independent Director. Three new Non-executive Directors have been subsequently appointed - Laurence Mulliez, effective 1 September 2026, Val Rahmani, effective 1 October 2026, and Emma FitzGerald, effective 1 November 2026. They are all highly experienced leaders and bring complementary skills, perspectives and insight that will further strengthen the Board. Their appointments reflect our commitment to maintaining a Board with a broad range of relevant expertise, international experience and diverse viewpoints.

BUSINESS REVIEW

JOHN CRANE

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

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

Market backdrop

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

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

Performance

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

Revenue

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

Energy

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

- Aftermarket organic revenue increased +1.9% reflecting continuing expansion in the installed base and growth in customer aftermarket service contracts but was particularly impacted by slowdowns in the Middle East.

Industrial

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

Operating profit

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

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

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

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

FY2027 outlook

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

Accelerate

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

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

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

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

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

Innovate

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

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

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

FLEX-TEK

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

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

Market backdrop

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

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

Performance

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

Revenue

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

Construction (45% of revenue)

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

Thermal Solutions (27% of revenue)

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

Aerospace (28% of revenue)

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

Operating profit

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

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

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

FY2027 outlook

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

- Construction remains focused on driving performance, with the timing of the US construction market recovery remaining uncertain. The business expects to benefit from continued customer wins and new pricing initiatives.
- Thermal Solutions performance is expected to benefit from underlying business growth supplemented by the DRC acquisition, as well as the phasing out of destocking effect in heat kits, and the ultra-high heating contract from the second quarter.
- Aerospace finished the year with a strong order book, with coverage of ~65% for FY2027 offering good visibility and is expected to benefit from continued positive performance in targeted growth areas as well as recent contract renewals.

Accelerate

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

contract with GE Aerospace across its key commercial and defence-related engine fleets. The business continues to drive expansion of its shipset content, its MRO capabilities, which include supporting the repair of Pratt & Whitney's geared turbofan engine, and investing in higher-growth geographies such as India.

Innovate

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

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

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

Portfolio management

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

DISCONTINUED OPERATIONS

SMITHS DETECTION (Disposal completed on 30 June 2026)

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

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

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

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

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

SMITHS INTERCONNECT (Disposal completed on 31 March 2026)

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

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

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

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

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

CONSOLIDATED PRIMARY STATEMENTS

Consolidated income statement

		Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Notes	**Headline £m**	**Non-headline (note 3) £m**	**Total £m**	Headline £m	Non-headline (note 3) £m	Total £m
CONTINUING OPERATIONS							
Revenue	1	1,937	–	1,937	1,898	–	1,898
Operating costs	2	(1,538)	(110)	(1,648)	(1,510)	(41)	(1,551)
Operating profit/(loss)	1	**399**	**(110)**	**289**	**388**	**(41)**	**347**
Interest income	4	44	–	44	35	–	35
Interest expense	4	(80)	–	(80)	(62)	4	(58)
Other financing losses	4	–	(13)	(13)	–	(11)	(11)
Other finance income – retirement benefits	4	–	5	5	–	4	4
Finance costs	4	(36)	(8)	(44)	(27)	(3)	(30)
Profit/(loss) before taxation		**363**	**(118)**	**245**	**361**	**(44)**	**317**
Taxation	6	(89)	1	(88)	(82)	19	(63)
Profit/(loss) for the year		**274**	**(117)**	**157**	**279**	**(25)**	**254**
DISCONTINUED OPERATIONS							
Profit from discontinued operations	28	153	1,662	1,815	133	(95)	38
PROFIT/(LOSS) FOR THE YEAR		**427**	**1,545**	**1,972**	**412**	**(120)**	**292**
Profit/(loss) for the year attributable to:							
Smiths Group shareholders – continuing operations		272	(117)	155	277	(25)	252
Smiths Group shareholders – discontinued operations		153	1,662	1,815	133	(95)	38
Non-controlling interests		2	–	2	2	–	2
		427	**1,545**	**1,972**	**412**	**(120)**	**292**
EARNINGS PER SHARE							
Basic				628.8p			85.7p
Basic – continuing				49.5p			74.5p
Diluted				626.2p			85.3p
Diluted – continuing				49.3p			74.1p

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

Consolidated statement of comprehensive income

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
PROFIT FOR THE YEAR		**1,972**	**292**
Other comprehensive income (OCI)			
OCI which will not be reclassified to the income statement:			
Re-measurement of retirement benefit assets and obligations	8	(70)	(3)
Taxation on post-retirement benefit movements	6	14	–
Fair value movements on financial assets at fair value through OCI	14	–	8
		(56)	5
OCI which will be reclassified and reclassifications:			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		3	(1)
– reclassified to income statement on cash-flow and net investment hedges		(1)	2
		2	1
Foreign exchange (FX) movements:			
Exchange losses on translation of foreign operations		(15)	(35)
Exchange gains recycled to the income statement on disposal of business		(35)	–
		(50)	(35)
Total other comprehensive income, net of taxation		**(104)**	**(29)**
TOTAL COMPREHENSIVE INCOME		**1,868**	**263**

Attributable to:		
Smiths Group shareholders	1,869	261
Non-controlling interests	(1)	2
	1,868	**263**

Total comprehensive income attributable to Smiths Group shareholders arising from:		
Continuing operations	89	241
Discontinued operations	1,780	20
	1,869	**261**

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

Consolidated balance sheet

	Notes	31 July 2026 £m	31 July 2025 £m
NON-CURRENT ASSETS			
Intangible assets	10	624	1,284
Property, plant and equipment	12	208	244
Right of use assets	13	95	99
Financial assets – other investments	14	6	6
Retirement benefit assets	8	2	128
Deferred tax assets	6	78	98
Trade and other receivables	16	78	90
Financial derivatives	20	–	10
		1,091	**1,959**
CURRENT ASSETS			
Inventories	15	284	586
Current tax receivable	6	9	20
Trade and other receivables	16	464	737
Cash and cash equivalents	18	2,956	195
Financial derivatives	20	21	7
Assets held for sale	28	13	507
		3,747	**2,052**
TOTAL ASSETS		**4,838**	**4,011**
CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(563)	(3)
Financial liabilities – lease liabilities	18	(24)	(29)
Financial liabilities – financial derivatives	20	(2)	(2)
Provisions	23	(45)	(56)
Trade and other payables	17	(675)	(679)
Current tax payable	6	(35)	(66)
Liabilities held for sale	28	(7)	(106)
		(1,351)	**(941)**
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(537)	(556)
Financial liabilities – lease liabilities	18	(80)	(79)
Financial liabilities – financial derivatives	20	(22)	–
Provisions	23	(160)	(198)
Retirement benefit obligations	8	(50)	(96)
Deferred tax liabilities	6	(23)	(43)
Trade and other payables	17	(10)	(38)
		(882)	**(1,010)**
TOTAL LIABILITIES		**(2,233)**	**(1,951)**
NET ASSETS		**2,605**	**2,060**

SHAREHOLDERS' EQUITY			
Share capital	24	111	124
Share premium account		365	365
Capital redemption reserve		44	31
Merger reserve		235	235
Cumulative translation adjustments		169	317
Retained earnings		1,733	1,147
Hedge reserve	26	(75)	(183)
TOTAL SHAREHOLDER'S EQUITY		**2,582**	**2,036**
Non-controlling interest equity	26	23	24
TOTAL EQUITY		**2,605**	**2,060**

Consolidated statement of changes in equity

	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2025		**489**	**266**	**317**	**1,147**	**(183)**	**2,036**	**24**	**2,060**
Profit for the year		–	–	–	1,970	–	1,970	2	1,972
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(56)	–	(56)	–	(56)
– FX movements net of recycling		–	–	(148)	(5)	106	(47)	(3)	(50)
– fair value gains and related tax		–	–	–	–	2	2	–	2
Total comprehensive income for the year		–	–	**(148)**	**1,909**	**108**	**1,869**	**(1)**	**1,868**
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(43)	–	(43)	–	(43)
Proceeds received on exercise of employee share options		–	–	–	2	–	2	–	2
Share buybacks	24	(13)	13	–	(1,159)	–	(1,159)	–	(1,159)
Dividends:									
– equity shareholders	25	–	–	–	(149)	–	(149)	–	(149)
Share-based payment	9	–	–	–	26	–	26	–	26
At 31 July 2026		**476**	**279**	**169**	**1,733**	**(75)**	**2,582**	**23**	**2,605**

	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2024		**495**	**260**	**353**	**1,306**	**(184)**	**2,230**	**22**	**2,252**
Profit for the year		–	–	–	290	–	290	2	292
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(3)	–	(3)	–	(3)
– FX movements net of recycling		–	–	(36)	1	–	(35)	–	(35)
– fair value gains and related tax		–	–	–	8	1	9	–	9
Total comprehensive income for the year		**–**	**–**	**(36)**	**296**	**1**	**261**	**2**	**263**
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(23)	–	(23)	–	(23)
Proceeds received on exercise of employee share options		–	–	–	1	–	1	–	1
Share buybacks	24	(6)	6	–	(303)	–	(303)	–	(303)
Dividends:									
– equity shareholders	25	–	–	–	(152)	–	(152)	–	(152)
Share-based payment	9	–	–	–	22	–	22	–	22
At 31 July 2025		**489**	**266**	**317**	**1,147**	**(183)**	**2,036**	**24**	**2,060**

Consolidated cash-flow statement

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Net cash inflow from operating activities	29	**241**	**456**
CASH-FLOWS FROM INVESTING ACTIVITIES			
Expenditure on capitalised development		–	(4)
Expenditure on other intangible assets		(3)	(4)
Purchases of property, plant and equipment		(64)	(72)
Disposals of property, plant and equipment		8	–
(Investment in)/disposal of financial assets		(1)	53
Acquisition of businesses (net of £6m of cash acquired with businesses)	27	(159)	(121)
Acquisition of businesses related to discontinued operations	28	(6)	–
Acquisition of business - deferred consideration		(11)	–
Proceeds on disposal of subsidiaries, net of cash disposed	28	3,245	(12)
Net cash-flow used in investing activities		**3,009**	**(160)**
CASH-FLOWS FROM FINANCING ACTIVITIES			
Share buybacks	24	(839)	(303)
Purchase of shares by Employee Benefit Trust	26	(43)	(23)
Proceeds received on exercise of employee share options		2	1
Settlement of cash-settled options		–	(1)
Dividends paid to equity shareholders	25	(149)	(152)
Cash inflow from matured derivative financial instruments		(4)	2
Increase in new borrowings		565	–
Lease payments		(41)	(41)
Net cash-flow used in financing activities		**(509)**	**(517)**
Net increase/(decrease) in cash and cash equivalents		**2,741**	**(221)**
Cash and cash equivalents at beginning of year		195	459
Movement in cash held in disposal groups		31	(31)
Foreign exchange rate movements		(11)	(12)
Cash and cash equivalents at end of year	18	**2,956**	**195**

Cash and cash equivalents at end of year comprise:		
– cash at bank and in hand	100	102
– short-term deposits	2,856	93
	2,956	**195**

ACCOUNTING POLICIES

Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31st July 2026 or 2025 but is derived from those accounts. Statutory accounts for 2025 have been delivered to the registrar of companies, and those for 2026 will be delivered in due course.

The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Group's statutory financial statements for the year ended 31 July 2026 have been prepared in accordance with UK adopted International Accounting Standards. The statutory 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' within the Annual Report 2026, which has been based on the Group's strategy, balance sheet and financing position, including our undrawn US$800m committed Revolving Credit Facility which matures in May 2030. Having assessed the principal and emerging risks, especially those most relevant during the going concern assessment period, stress testing confirmed that the Group will have adequate headroom over that period.

Consequently, the Directors are satisfied that the Group and Company has sufficient resources for its operational needs and will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements have therefore been prepared on a going concern basis.

Climate change

Climate change is recognised as a principal risk and uncertainty for the Group, both in terms of the risk of climate-related incidents causing disruption to our supply chain or operations and the risk of changes in climate conditions cause business disruption and economic loss for the Group.

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures within the Annual Report 2026, and in the preparation of our Strategic Plan, which underpins our viability statement and going concern review modelling.

There has been no material impact identified on the financial reporting judgements and estimates. Overall, sustainability is recognised as a growth driver for the Group and a key part of our investment case. This is consistent with our assessment that climate change is not expected to have a detrimental impact on the viability of the Group in the medium term.

These financial statements cover the financial year from 1 August 2025 to 31 July 2026 (FY2026) with comparative figures from 1 August 2024 to 31 July 2025 (FY2025).

Key estimates and significant judgements

The preparation of the accounts in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The key sources of estimation uncertainty together with the significant judgements and assumptions used for these consolidated financial statements are set out below.

Sources of estimation uncertainty

Business combinations

During FY2026 the Group acquired one business, DRC Heat Transfer (DRC). On the acquisition of a business, the Group is required to identify specific intangible assets which are recognised separately from goodwill and then amortised over their estimated useful lives. The assumptions involved in determining the fair values for assets and liabilities acquired, including the separate identification of intangible assets, and the useful economic life of such items use management estimates and are therefore subjective.

Management have engaged a third party specialist to assist with the valuation of the acquired intangible assets for DRC, see note 27 for further information. Depending on the nature of the assets the Group has used different valuation methodologies to arrive at the fair value including the excess earnings method and the relief from royalty method.

Provisions for liabilities and charges

The Group has made provisions for claims and litigations where it has had to defend itself against proceedings brought by other parties. These provisions have been made for the best estimate of the expected expenditure required to settle each obligation, although there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred. The most significant of these litigation provisions is described below.

John Crane, Inc. (JCI), a subsidiary of the Group, is one of many co-defendants in litigation relating to products previously manufactured which contained asbestos. Provision of £153m (FY2025: £191m) has been made for the future defence costs which the Group is expected to incur and the expected costs of future adverse judgements against JCI. Whilst well-established incidence curves can be used to estimate the likely future pattern of asbestos-related disease, JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. Because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of the related litigation, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that will be incurred.

In quantifying the expected costs JCI takes account of the advice of an expert in asbestos liability estimation. The following estimates were made in preparing the provision calculation:

- The period over which the expenditure can be reliably estimated is judged to be ten years, based on past experience regarding significant changes in the litigation environment that have occurred every few years and on the amount of time taken in the past for some of those changes to impact the broader asbestos litigation environment. See note 23 for a sensitivity analysis showing the impact on the provision of reducing or increasing this time horizon; and
- The future trend of legal costs, the rate of future claims filed, the rate of successful resolution of claims, and the average amount of judgements awarded have been projected based on the past history of JCI claims and well-established tables of asbestos incidence projections, since this is the best available evidence. Claims history from other defendants is not used to calculate the provision because JCI's defence strategy generates a significantly different pattern of legal costs and settlement expenses. See note 23 for a sensitivity analysis showing the range of expected future spend.

Taxation

Taxation liabilities included provisions of £16m (FY2025: £35m), the majority of which related to the risk of challenge to the geographic allocation of profits by tax authorities.

In addition to the risks provided for, the Group faces a variety of other tax risks, which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules, new and ongoing tax audits in the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group anticipates that a number of tax audits are likely to conclude in the next 12 to 24 months. Due to the uncertainty associated with such tax items, it is possible that the conclusion of open tax matters may result in a final outcome that varies significantly from the amounts noted above.

Significant judgements made in applying accounting policies

Business combinations

As stated in the previous section 'Sources of estimation uncertainty', in FY2026 the Group has applied judgement on the identification of specific intangible assets on the DRC business acquisition, see note 27 for further information. These include items such as brand names, order backlog and customer relationships, to which value is first attributed at the time of acquisition.

In FY2026, appropriate professional advice has been sought on the allocation of value for the DRC acquisition.

Taxation

As stated in the previous section 'Sources of estimation uncertainty', the Group has applied judgement in the decisions made to recognise provisions against uncertain tax positions; please see note 6 for further details.

Presentation of headline profits and organic growth

In order to provide users of the accounts with a clear and consistent presentation of the performance of the Group's ongoing trading activity, the income statement is presented in a three-column format with 'headline' profits shown separately from non-headline items. In addition, the Group reports organic growth rates for sales and profit measures.

See note 1 for disclosures of headline operating profit and note 30 for more information about the alternative performance measures ('APMs') used by the Group.

Judgement is required in determining which items should be included as non-headline. The amortisation/impairment of acquired intangibles, legacy liabilities, material one-off items and certain re-measurements are included in a separate column of the income statement. See note 3 for a breakdown of the items excluded from headline profit.

Calculating organic growth also requires judgement. Organic growth adjusts the movement in headline performance to exclude the impact of foreign exchange and acquisitions.

Significant accounting policies

Basis of consolidation

The Group's consolidated accounts include the financial statements of Smiths Group plc (the 'Company') and all entities controlled by the Company (its subsidiaries). A list of the subsidiaries of Smiths Group plc is provided within the Annual Report 2026.

The Company controls an entity when it (i) has power over the entity; (ii) is exposed or has rights to variable returns from its involvement with the entity; and (iii) has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of these three elements of control. Subsidiaries are fully consolidated from the date on which control is obtained by the Company to the date that control ceases.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The non-controlling interests in the Group balance sheet represent the share of net assets of subsidiary undertakings held outside the Group. The movement in the year comprises the profit attributable to such interests together with any dividends paid, movements in respect of corporate transactions and related exchange differences.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Group financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

All intercompany transactions, balances, and gains and losses on transactions between Group companies are eliminated on consolidation.

Foreign currencies

The Company's presentational currency and functional currency is sterling. The financial position of all subsidiaries and associates that have a functional currency different from sterling are translated into sterling at the rate of exchange at the date of that balance sheet, and the income and expenses are translated at average exchange rates for the period. All resulting foreign exchange rate movements are recognised as a separate component of equity.

Foreign exchange rate movements arising on the translation of non-monetary assets and liabilities held in hyperinflationary subsidiaries are recognised in OCI. The amounts taken to the Cumulative Translation Adjustments reserve represent the combined effect of restatement and translation and are expressed as a net change for the year.

On consolidation, foreign exchange rate movements arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the cumulative amount of such foreign exchange rate movements is recognised in the income statement as part of the gain or loss on sale.

Foreign exchange rate movements arising on transactions are recognised in the income statement. Those arising on trading are taken to operating profit; those arising on borrowings are classified as finance income or cost.

Revenue

Revenue is measured at the fair value of the consideration received, net of trade discounts (including distributor rebates) and sales taxes. Revenue is discounted only where the impact of discounting is material.

When the Group enters into complex contracts with multiple, separately identifiable components, the terms of the contract are reviewed to determine whether or not the elements of the contract should be accounted for separately. If a contract is being split into multiple components, the contract revenue is allocated to the different components at the start of the contract. The basis of allocation depends on the substance of the contract. The Group considers relative stand-alone selling prices, contractual prices and relative cost when allocating revenue.

The Group has identified the following different types of revenue:

(i) Sale of goods recognised at a point in time – generic products manufactured by Smiths

Generic products are defined as either:

- Products that are not specific to any particular customer;
- Products that may initially be specific to a customer but can be reconfigured at minimal cost, i.e., retaining a margin, for sale to an alternative customer; or
- Products that are specific to a customer but are manufactured at Smiths risk, i.e., we have no right to payment of costs plus margin if the customer refuses to take control of the goods.

For established products with simple installation requirements, revenue is recognised when control of the product is passed to the customer. The point in time that control passes is defined in accordance with the agreed shipping terms and is determined on a case-by-case basis. The time of dispatch or delivery of the goods to the customer is normally the point at which invoicing occurs. However for some generic products, revenue is recognised when the overall performance obligation has been completed, which is often after the customer has completed its acceptance procedures and has assumed control.

Products that are sold under multiple element arrangements, i.e., contracts involving a combination of products and services, are bundled into a single performance obligation unless the customer can benefit from the goods or services either on their own, or together with other resources that are readily available to the customer and are distinct within the context of the contract.

For contracts that pass control of the product to the customer only on completion of installation services, revenue is recognised upon completion of the installation.

An obligation to replace or repair faulty products under the standard warranty terms is recognised as a provision. If the contract includes terms that either extend the warranty beyond the standard term or imply that maintenance is provided to keep the product working, these are service warranties and revenue is deferred to cover the performance obligation in an amount equivalent to the relative stand-alone selling price of that service.

(ii) Sale of goods recognised over time – customer-specific products where the contractual terms include rights to payment for work performed to date

Customer-specific products are defined as being:

- Products that cannot be reconfigured economically such that it remains profitable to sell to another customer;
- Products that cannot be sold to another customer due to contractual restrictions; and
- Products that allow Smiths to charge for the work performed to date in an amount that represents the costs incurred to date plus a margin, should the customer refuse to take control of the goods.

For contracts that meet the terms listed above, revenue is recognised over the period that the Group is engaged in the manufacture of the product, calculated using the input method based on the amount of costs incurred to date compared to the overall costs of the contract. This is considered to be a faithful depiction of the transfer of the goods to the customer as the costs incurred, total expected costs and total order value are known. The time of dispatch or delivery of the goods to the customer is normally the point at which invoicing occurs.

An obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. If the contract includes terms that either extend the warranty beyond the standard term or imply that maintenance is provided to keep the product working, these are service warranties and revenue is deferred to cover the performance obligation in an amount equivalent to the relative stand-alone selling price of that service.

(iii) Services recognised over time – services relating to the installation, repair and ongoing maintenance of equipment

Services include installation, commissioning, testing, product repairs and contracts undertaking extended warranty services.

For complex installations where the supply of services cannot be separated from the supply of product, revenue is recognised upon acceptance of the combined performance obligation (see Sale of goods (i) above).

For services that can be accounted for as a separate performance obligation, revenue is recognised over time, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Depending on the nature of the contract, revenue is recognised as follows:

- Installation, commissioning and testing services (when neither linked to the supply of product nor subject to acceptance) are recognised rateably as the services are provided;
- Product repair services, where the product is returned to Smiths premises for remedial action, are recognised when the product is returned to the customer and they regain control of the asset;
- Onsite ad hoc product repair services are recognised rateably as the services are performed;
- Long-term product repair and maintenance contracts are recognised rateably over the contract term; and
- Extended service warranties are recognised rateably over the contract term.

Invoicing for services depends on the nature of the service provided with some services charged in advance and others in arrears.

Where contracts are accounted for under the revenue recognised over time basis, the proportion of costs incurred is used to determine the percentage of contract completion.

Contracts for the construction of substantial assets, which normally last in excess of one year, are accounted for under the revenue recognised over time basis, using an input method.

For fixed-price contracts, revenue is recognised based upon an assessment of the amount of cost incurred under the contract, compared to the total expected costs that will be incurred under the contract. This calculation is applied cumulatively with any over/under recognition being adjusted in the current period.

For cost-plus contracts, revenue is recognised based upon costs incurred to date plus any agreed margin.

For both fixed-price and cost-plus contracts, invoicing is normally based on a schedule with milestone payments.

Contract costs

The Group has taken the practical expedient of not capitalising contract costs as they are expected to be expensed within one year from the date of signing.

Leases

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted by using either the rate implicit in the lease, or if not observable, the Group's incremental borrowing rate. Lease payments comprise contractual lease payments; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and the amount expected to be payable under residual value guarantees.

Right of use assets are measured at commencement date at the amount of the corresponding lease liability and initial direct costs incurred. Right of use assets are depreciated over the shorter of the lease term and the useful life of the right of use assets, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term, in which case depreciation is charged over the useful life of the underlying asset. Right of use assets are subject to impairment.

When a lease contract is modified, either from a change to the duration of the lease or a change to amounts payable, the Group remeasures the lease liability by discounting the revised future lease payments at a revised discount rate. A corresponding adjustment is made to the carrying value of the related right of use asset.

Leases of buildings typically have lease terms between one and seven years, while plant and machinery generally have lease terms between one and three years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value (typically below £5,000). The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Interest on lease liabilities is presented as a financing activity in the Consolidated Cash-Flow Statement, included under the heading lease payments.

Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Tax benefits are not recognised unless it is likely that the tax positions are sustainable. Tax positions taken are then reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included in current tax liabilities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

The Group operates and is subject to taxation in many countries. Tax legislation is different in each country, is often complex and is subject to interpretation by management and government authorities. These matters of judgement give rise to the need to create provisions for uncertain tax positions which are recognised when it is considered more likely than not that there will be a future outflow of funds to a taxing authority. Provisions are made against individual exposures and take into account the specific circumstances of each case, including the strength of technical arguments, recent case law decisions or rulings on similar issues and relevant external advice.

The amounts are measured using one of the following methods, depending on which of the methods the Directors expect will better reflect the amount the Group will pay to the tax authority:

- The single best estimate method is used where there is a single outcome that is more likely than not to occur. This will happen, for example, where the tax outcome is binary or the range of possible outcomes is very limited; or
- Alternatively, a probability weighted expected value is used where, on the balance of probabilities, there will be a payment to the tax authority but there are a number of possible outcomes. In this case, a probability is assigned to each outcome and the amount provided is the sum of these risk-weighted amounts. In assessing provisions against uncertain tax positions, management uses in-house tax experts, professional firms and previous experience of the taxing authority to evaluate the risk.

Deferred tax is provided in full using the balance sheet liability method. A deferred tax asset is recognised where it is probable that future taxable income will be sufficient to utilise the available relief. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities and assets are not discounted.

Tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

IAS 12 International Tax Reform: Pillar Two Model Rules

On 19 July 2023, the UK Endorsement Board adopted the Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules, issued by the IASB in May 2023. The Amendments introduce a temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules and the Group has applied this exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Employee benefits

Share-based compensation

The fair value of share awards and share options granted are recognised as an expense over their vesting period to reflect the value of the employee services received. The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share awards which are likely to vest.

For cash-settled share-based payment, a liability is recognised based on the fair value of the payment earned by the balance sheet date. For equity-settled share-based payment, the corresponding credit is recognised directly in reserves.

Pension obligations and post-retirement benefits

Pensions and similar benefits (principally healthcare) are accounted for under IAS 19. The retirement benefit obligation in respect of the defined benefit plans is the liability (the present value of all expected future obligations) less the fair value of the plan assets.

The income statement expense is allocated between current service costs, reflecting the increase in liability due to any benefit accrued by employees in the current period, any past service costs/
credits and settlement losses or gains which are recognised immediately, and the scheme administration costs.

Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise. These comprise the impact on the liabilities of changes in demographic and financial assumptions compared with the start of the year, actual experience being different to assumptions and the return on plan assets being above or below the amount included in the net pension interest cost.

Payments to defined contribution schemes are charged as an income statement expense as they fall due.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The goodwill arising from acquisitions of subsidiaries after 1 August 1998 is included in intangible assets, tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The goodwill arising from acquisitions of subsidiaries before 1 August 1998 was set against reserves in the year of acquisition.

Goodwill is tested for impairment at least annually. Should the test indicate that the net realisable value of the CGU is less than current carrying value, an impairment loss will be recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of:

- Amounts recoverable from third parties; and
- Expenditure incurred in respect of the development of major new products where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the estimated period of sale for each product, commencing in the year that the product is ready for sale. Amortisation is charged straight line or based on the units produced, depending on the nature of the product and the availability of reliable estimates of production volumes.

The cost of development projects which are expected to take a substantial period of time to complete includes attributable borrowing costs.

Intangible assets acquired in business combinations

The identifiable net assets acquired as a result of a business combination may include intangible assets other than goodwill. Any such intangible assets are amortised straight line over their expected useful lives as follows:

Patents, licences and trademarks	up to 20 years
Technology	up to 13 years
Customer relationships	up to 15 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Software, patents and intellectual property

The estimated useful lives are as follows:

Software	up to seven years
Patents and intellectual property	shorter of the economic life and the period the right is legally enforceable

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses.

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives. In general, the rates used are:

Freehold and long leasehold buildings	2% per annum
Short leasehold property	over the period of the lease
Plant, machinery, etc.	10% to 20% per annum
Fixtures, fittings, tools and other equipment	10% to 33% per annum

The cost of any assets which are expected to take a substantial period of time to complete includes attributable borrowing costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of items of inventory which take a substantial period of time to complete includes attributable borrowing costs.

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for any slow-moving, obsolete or defective inventories.

Trade and other receivables

Trade receivables are either classified as 'held to collect' and initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for expected credit losses or as 'held to collect and sell' and measured at fair value through other comprehensive income (FVOCI).

A provision for expected credit losses is established when there is objective evidence that it will not be possible to collect all amounts due according to the original payment terms. Expected credit losses are determined using historical write-offs as a basis, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and with a default risk multiplier applied to reflect country risk premium. The Group applies the IFRS 9 simplified lifetime expected credit loss approach for trade receivables and contract assets which do not contain a significant financing component.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions for warranties and product liability, disposal indemnities, restructuring costs, property dilapidations and legal claims are recognised when: the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are discounted where the time value of money is material.

Where there is a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Businesses held for sale

Businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent remeasurements are included in the income statement. No depreciation is charged on assets and businesses classified as held for sale.

Businesses are classified as held for sale if their carrying amount will be settled principally through a sale rather than through continuing use and the following criteria are met:

- The business must be available for immediate sale in its present condition;
- Management is committed to the plan to sell the business and an active programme to locate a buyer and complete the plan must have been initiated;
- The disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- Shareholder and regulatory approval is highly probable and the plan is unlikely to be significantly changed or withdrawn; and
- Sale is expected to be completed within 12 months of the balance sheet date.

The assets and liabilities of businesses held for sale are presented as separate lines on the balance sheet.

Discontinued operations

A discontinued operation is either:

- A component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale;
- Is part of a single 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, interest rates and commodity prices arising from its operating and financing activities.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

Where derivative financial instruments are designated into hedging relationships, the Group formally documents the following:

- The risk management objective and strategy for entering the hedge;
- The nature of the risks being hedged and the economic relationship between the hedged item and the hedging instrument; and
- Whether the change in cash-flows of the hedged item and hedging instrument are expected to offset each other.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Fair value hedge

The Group uses derivative financial instruments to convert part of its fixed rate debt to floating rate in order to hedge the risks arising from its external borrowings.

The Group designates these as fair value hedges of interest rate risk. Changes in the hedging instrument are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk to the extent that the hedge is effective. Gains or losses relating to any ineffectiveness are immediately recognised in the income statement.

Cash-flow hedge

Cash-flow hedging is used by the Group to hedge certain exposures to variability in future cash-flows.

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve are recycled in the income statement in the periods when the hedged items will affect profit or loss (for example, when the forecast sale that is hedged takes place).

If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are transferred from the reserve and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash-flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to any ineffective portion is recognised immediately in the income statement. When a foreign operation is disposed of, gains and losses accumulated in equity related to that operation are included in the income statement for that period.

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

IFRS 13: 'Fair value measurement' requires fair value measurements to be classified according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – valuations in which all inputs are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuations in which one or more inputs that are significant to the resulting value are not based on observable market data.

See note 21 for information on the methods which the Group uses to estimate the fair values of its financial instruments.

Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

New accounting standards effective 2026

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the previous financial year.

Standards, interpretations and amendments that became effective in the current financial year have not had a material impact on the Consolidated Financial Statements.

New standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied any standards, interpretations or amendments that have been issued but are not yet effective.

The impact of IFRS 18 'Presentation and Disclosures in Financial Statements' is under assessment:

- IFRS 18 becomes effective for the financial year ending 31 July 2028, with comparatives restated.
- IFRS 18 will affect how the Group presents and discloses its financial performance; it will not impact the recognition or measurement of any items in the financial statements. The standard includes requirements for the aggregation and disaggregation of financial information based on the identified roles of the primary financial statements. Income and expenses will be classified into five categories on the face of the income statement: operating, investing, financing, taxation and discontinued operations. The Group's profit before tax will not change. Disclosures relating to 'management-defined performance measures', a subset of the Group's alternative performance measures (APMs), will be included in the audited notes to the financial statements.
- The Group has made progress in assessing the impact of IFRS 18 and during the next financial year the Group will implement finance system changes to enable reporting in accordance with IFRS 18. Until this work is completed, it is not practical to quantify the effects of IFRS 18.

Other standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the consolidated Group financial statements.

Parent Company

The ultimate Parent Company of the Group is Smiths Group plc, a company incorporated in England and Wales and listed on the London Stock Exchange.

The accounts of the Parent Company, Smiths Group plc, have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

The Company accounts are presented in separate financial statements within the Annual Report 2026. The principal subsidiaries of the Parent Company are listed in the above accounts.

NOTES TO THE ACCOUNTS

1. Segment information

Analysis by operating segment

The Group is organised into two major business segments: John Crane and Flex-Tek. These business segments design, manufacture and support the following products:

- **John Crane** – mechanical seals, seal support systems, power transmission couplings and specialised filtration systems; and
- **Flex-Tek** – engineered components, flexible hosing and rigid tubing that heat and move fluids and gases.

The position and performance of each business segment are reported at each Board meeting to the Board of Directors. This information is prepared using the same accounting policies as the consolidated financial information except that the Group uses headline operating profit to monitor the segmental results and operating assets to monitor the segmental position. See note 3 and note 30 for an explanation of which items are excluded from headline measures.

The segmental information of the Smiths Interconnect, Smiths Detection and certain Flex-Tek general industrial discontinued operations is disclosed in note 28.

Intersegment sales and transfers are charged at arm's length prices.

Segment trading performance

	Year ended 31 July 2026			
	John Crane £m	**Flex-Tek £m**	**Corporate costs £m**	**Total £m**
Revenue	1,130	807	–	1,937
Segmental headline operating profit	270	170	–	440
Corporate headline operating costs	–	–	(41)	(41)
Headline operating profit/(loss)	**270**	**170**	**(41)**	**399**
Items excluded from headline measures (note 3)	4	(46)	(68)	(110)
Operating profit/(loss)	**274**	**124**	**(109)**	**289**
Headline operating margin	23.9%	21.0%		20.6%

	Year ended 31 July 2025 – represented*			
	John Crane £m	Flex-Tek £m	Corporate costs £m	Total £m
Revenue	1,115	783	–	1,898
Segmental headline operating profit	265	169	–	434
Corporate headline operating costs	–	–	(46)	(46)
Headline operating profit/(loss)	**265**	**169**	**(46)**	**388**
Items excluded from headline measures (note 3)	(1)	(27)	(13)	(41)
Operating profit/(loss)	**264**	**142**	**(59)**	**347**
Headline operating margin	23.8%	21.6%		20.5%

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

Operating profit is stated after charging the following items:

	Year ended 31 July 2026			
	John Crane £m	**Flex-Tek £m**	**Corporate and non-headline £m**	**Total £m**
Depreciation – property, plant and equipment	12	8	2	**22**
Depreciation – right of use assets	15	7	1	**23**
Amortisation of software, patents & intellectual property	3	–	–	**3**
Amortisation of acquired intangibles	–	–	33	**33**
Restructuring costs	–	–	27	**27**
Share-based payment	3	2	14	**19**

	Year ended 31 July 2025 – represented*			
	John Crane £m	Flex-Tek £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	16	7	3	**26**
Depreciation – right of use assets	14	6	1	**21**
Amortisation of software, patents & intellectual property	4	–	1	**5**
Amortisation of acquired intangibles	–	–	30	**30**
Restructuring costs	–	–	16	**16**
Impairment – prior year working capital	–	–	15	**15**
Share-based payment	4	3	8	**15**

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

The corporate and non-headline column comprises central information technology, human resources and headquarters costs and non-headline expenses (see note 3).

Segment assets and liabilities

Segment assets

	31 July 2026			
	John Crane £m	**Flex-Tek £m**	**Corporate and non-headline £m**	**Total £m**
Property, plant, equipment, right of use assets, other intangibles and investments	211	104	6	321
Inventory, trade and other receivables	555	259	12	826
Segment assets	**766**	**363**	**18**	**1,147**

	31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, development costs, other intangibles and investments	185	113	132	11	441
Inventory, trade and other receivables	518	251	622	22	1,413
Segment assets	**703**	**364**	**754**	**33**	**1,854**

Non-headline assets comprise receivables relating to non-headline items, acquisitions & disposals.

Segment liabilities

	31 July 2026			
	John Crane £m	**Flex-Tek £m**	**Corporate and non-headline £m**	**Total £m**
Segmental liabilities	167	120	–	287
Corporate and non-headline liabilities	–	–	603	603
Segment liabilities	**167**	**120**	**603**	**890**

	31 July 2025				
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Segmental liabilities	173	105	374	–	652
Corporate and non-headline liabilities	–	–	–	319	319
Segment liabilities	**173**	**105**	**374**	**319**	**971**

Non-headline liabilities comprise provisions and accruals relating to non-headline items, acquisitions & disposals.

Reconciliation of segment assets and liabilities to statutory assets and liabilities

	Assets		Liabilities	
	31 July 2026 £m	31 July 2025 £m	**31 July 2026 £m**	31 July 2025 £m
Segment assets and liabilities	**1,147**	**1,854**	**(890)**	**(971)**
Goodwill and acquired intangibles	612	1,192	–	–
Derivatives	21	17	(24)	(2)
Current and deferred tax	87	118	(58)	(109)
Retirement benefit assets and obligations	2	128	(50)	(96)
Cash and borrowings	2,956	195	(1,204)	(667)
Assets and liabilities held for sale	13	507	(7)	(106)
Statutory assets and liabilities	**4,838**	**4,011**	**(2,233)**	**(1,951)**

Segment capital expenditure

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for each business segment is:

	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Capital expenditure year ended 31 July 2026	30	9	–	–	**39**
Capital expenditure year ended 31 July 2025	41	13	13	–	**67**

Segment capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before August 1998 of £433m (FY2025: £478m) and eliminate retirement benefit assets and obligations and litigation provisions relating to non-headline items, both net of related tax, and net debt. See note 30 for a reconciliation of net assets to capital employed.

The 12-month rolling average capital employed by business segment, which Smiths uses to calculate segmental return on capital employed, is:

			31 July 2026
	John Crane £m	**Flex-Tek £m**	**Total £m**
Average segmental capital employed – continuing operations	1,104	643	**1,747**
Average capital employed – assets held for sale			**1,317**
Average corporate capital employed			**(50)**
Average total capital employed – total Group			**3,014**

			31 July 2025
	John Crane £m	Flex-Tek £m	Total £m
Average segmental capital employed	1,051	594	**1,645**
Average capital employed – assets held for sale			**1,621**
Average corporate capital employed			**(62)**
Average total capital employed – total Group			**3,204**

The Smiths Interconnect and Smiths Detection divisions and certain Flex-Tek general industrial businesses are included as assets held for sale in the table above. Further details of the segmental asset and liabilities of the Smiths Interconnect division is disclosed in note 28.

Analysis of revenue

The revenue for the main product and service lines for each business segment is:

John Crane	Original equipment £m	Aftermarket £m	Total £m
Revenue year ended 31 July 2026	334	796	**1,130**
Revenue year ended 31 July 2025	322	793	**1,115**

Flex-Tek	Aerospace £m	Construction £m	Thermal Solutions £m	Total £m
Revenue year ended 31 July 2026	227	359	221	**807**
Revenue year ended 31 July 2025*	210	371	202	**783**

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of certain Flex-Tek general industrial businesses as discontinued operations. Following the classification of certain Flex-Tek general industrial businesses as discontinued operations, the Group has reviewed and reanalysed the Flex-Tek segmental revenue reporting by main product line. The driver of this reanalysis being to realign this analysis of segmental revenue with how management review the performance of the remaining Flex-Tek segment.

The impact of this reanalysis is that £678m of FY2025 revenue that had previously been reported as Industrials has been represented with £371m recognised as Construction, £202m recognised as Thermal Solutions, £51m recognised as Aerospace and £54m reclassified to discontinued operations.

Segmental revenue is analysed by the Smiths Group key global markets as follows:

	General Industrial £m	Energy £m	Aerospace & Defence £m	Total £m
John Crane revenue				
Revenue year ended 31 July 2026	418	712	–	**1,130**
Revenue year ended 31 July 2025	413	702	–	**1,115**
Flex-Tek revenue				
Revenue year ended 31 July 2026	580	–	227	**807**
Revenue year ended 31 July 2025*	573	–	210	**783**
Total revenue				
Revenue year ended 31 July 2026	998	712	227	**1,937**
Revenue year ended 31 July 2025*	986	702	210	**1,898**

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations. Following the classification of certain Flex-Tek general industrial businesses as discontinued operations, the Group has reviewed and reanalysed the Flex-Tek segmental revenue reporting by main key global market. The driver of this reanalysis being to realign this analysis of segmental revenue with how management review the performance of the remaining Flex-Tek segment.

The impact of this reanalysis is that £105m of FY2025 revenue that was previously reported in the general industrial key global market has been represented, with £51m disclosed in the Aerospace key global market and £54m reclassified to discontinued operations.

The Group's statutory revenue is analysed as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Sale of goods recognised at a point in time	1,564	1,539
Sale of goods recognised over time	7	10
Services recognised over time	366	349
	1,937	**1,898**

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

Analysis by geographical areas

The Group's revenue by destination and non-current operating assets by location are shown below:

	Americas £m	Europe £m	Asia Pacific £m	Rest of World £m	Total £m
Revenue year ended 31 July 2026	1,225	293	250	169	**1,937**
Revenue year ended 31 July 2025*	1,180	277	260	181	**1,898**

	Americas £m	Europe £m	Asia Pacific £m	Rest of World £m	Total £m
31 July 2026 – non-current operating assets by geographical location:					
Intangible assets	536	76	12	–	**624**
Property, plant and equipment	127	34	19	28	**208**
Right of use assets	60	19	6	10	**95**
Other receivables	60	15	1	2	**78**
Non-current operating assets	783	144	38	40	**1,005**
31 July 2025 – non-current operating assets by geographical location:					
Intangible assets	794	476	14	–	**1,284**
Property, plant and equipment	140	61	23	20	**244**
Right of use assets	51	33	10	5	**99**
Other receivables	56	22	1	5	**84**
Non-current operating assets	1,041	592	48	30	**1,711**

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

The other receivables balance in the table above comprises current and non-current other receivables (see note 16) excluding financial instruments.

Revenue by destination attributable to the United Kingdom was £33m (FY2025: £35m). Other revenue found to be significant included, the United States of America, totalling £997m (FY2025: £960m), China (excluding Hong Kong) £96m (FY2025: £104m) and Canada £82m (FY2025: £81m). Revenue by destination has been selected as the basis for attributing revenue to geographical areas as this was the geographic attribution of revenue used by management to review business performance.

Non-current assets located in the United Kingdom total £79m (FY2025: £180m). Significant non-current assets held in the United States of America £646m (FY2025: £902m) and Germany £30m (FY2025: £370m).

2. Operating costs

The Group's operating costs for continuing operations are analysed as follows:

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Headline £m	**Non-headline (note 3) £m**	**Total £m**	Headline £m	Non-headline (note 3) £m	Total £m
Cost of sales – direct materials, labour, production and distribution overheads	1,129	–	1,129	1,097	–	1,097
Selling costs	159	–	159	150	–	150
Administrative expenses	250	110	360	263	41	304
Total	**1,538**	**110**	**1,648**	**1,510**	**41**	**1,551**

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

Operating profit is stated after charging:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Research, development and customer-specific engineering expense	64	63
Depreciation of property, plant and equipment	22	26
Depreciation of right of use assets	23	22
Amortisation of intangible assets	36	34

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

Research, development and customer-specific engineering (RD&E) cash costs were £64m (FY2025: £63m) comprising £64m (FY2025: £63m) of RD&E expensed to the income statement.

Administrative expenses include £2m (FY2025: £1m) in respect of lease payments for short-term and low-value leases which were not included within right of use assets and lease liabilities.

Auditors' remuneration

The following fees were paid or are payable to the Company's auditors, KPMG LLP and other firms in the KPMG network, for the year ended 31 July 2026.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Audit services		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	2.4	2.9
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	2.4	3.5
	4.8	**6.4**
Audit related assurance services (i)	3.5	2.1
Other assurance services (ii)	0.2	0.2
Total fees	**8.5**	**8.7**

* The comparatives for the year to 31 July 2025 have been represented to include an additional £0.4m of fees related to scope changes on the FY2025 audit.

(i) Audit related assurance services includes £0.4m (FY2025: £0.4m) for review of interim report and £3.1m (FY2025: £1.7m) for services delivered in FY2026 related to the reporting accountant engagement for the historical financial information of the Group's Detection business, covering the three years ended 31 July 2025. This engagement was required to support the Company's legal and regulatory requirements associated with the proposed demerger. Accordingly, the related fees have been excluded from the calculation of non-audit services as a percentage of the audit fee. Following the termination of the demerger transaction, all services associated with the planned demerger have been terminated.

(ii) Other assurance services include £0.09m (FY2025: £0.1m) for limited assurance over the Group's Scope 1–3 greenhouse gas emissions metrics and £0.1m (FY2025: £0.1m) for services related to the issuance of the Euro Medium Term Note (EMTN) programme.

Total fees for non-audit services comprise 13% (FY2025: 10%) of audit fees, as noted above £3.1m (FY2025: £1.7m) of reporting accountant services have been excluded from the calculation of this ratio.

3. Non-statutory profit measures

Headline profit measures

The Group has identified and defined a 'headline' measure of performance which is not impacted by material non-recurring items or items considered non-operational/trading in nature. This non-GAAP measure of profit is not intended to be a substitute for any IFRS measures of performance, but is a key measure used by management to understand and manage performance. See the disclosures on presentation of results in accounting policies for an explanation of the adjustments. The items excluded from 'headline' are referred to as 'non-headline' items.

Non-headline operating profit items

i. Continuing operations

The non-headline items included in statutory operating profit for continuing operations were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Acquisition and disposal related costs			
Post-acquisition integration costs and fair value adjustment unwind		(3)	(4)
Fair value movement on contingent consideration		3	4
Loss on disposal of financial asset		–	(3)
Separation related expenses		(8)	–
Business acquisition costs and related expenses		(2)	(2)
Legacy pension scheme arrangements			
Scheme administration costs	8	(6)	(4)
Retirement benefit scheme settlement loss	8	(57)	–
Non-headline provision movements			
Provision held against Titeflex Corporation subrogation claims	23	(4)	5
Provision for John Crane, Inc. asbestos litigation	23	30	12
John Crane, Inc. asbestos litigation management expense		(1)	–
Cost recovery for John Crane, Inc. asbestos litigation		–	1
Other items			
Corporate restructuring costs		(27)	(16)
Cyber incident remediation costs		–	(4)
Amortisation of acquired intangible assets	10	(33)	(29)
Funding of charitable foundation		(2)	(1)
Non-headline items in operating profit – continuing operations		**(110)**	**(41)**

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

Acquisition and disposal related costs

The £3m (FY2025:£4m) of post-acquisition integration costs and fair value adjustment unwind principally relate to Flex-Tek's recent corporate acquisitions. These have been recognised as non-headline as the charge did not relate to trading activity.

The £3m current year fair value gain on contingent consideration is attributable to the revaluation of deferred contingent consideration payable on Flex-Tek's recent acquisitions. These are considered to be a non-headline item on the basis that these fair value charges do not relate to trading activity.

In FY2025 the £3m loss on disposal of financial asset related to the block sale discount on the disposal of the Group's remaining investment in ICU shares. This is considered a non-headline charge as it did not relate to trading activity.

In the current year £8m (FY2025: £nil) of separation related expenses have been recognised in continuing operations for activities undertaken by the Group in relation to the strategic actions to divest the Smiths Interconnect and Smiths Detection businesses and right size the remaining Smiths Group operations. These costs have been reported as non-headline as they are non-recurring strategic project expenses and do not relate to trading activity.

The £2m (FY2025: £2m) of business acquisition costs and related expenses represent incremental deal costs related to the Group's business acquisition activity. These items do not include the cost of employees working on transactions and are reported as non-headline because they are dependent on the level of activity being undertaken and do not relate to trading activity.

Legacy pension scheme arrangements

Scheme administration costs of £6m (FY2025: £4m) relate to the TIGPS legacy pension scheme and SIPS 'path to buy-in' costs. These are non-headline charges as the Smiths Group effectively has no economic exposure to these costs and they are paid from cash retained in the scheme.

A £57m retirement benefit scheme settlement loss has been recognised in the current year (FY2025: £nil) following SIPS executing an insurance buy-in policy for its remaining uninsured liabilities (see note 8 for further details). This item is reported as non-headline as it is non-recurring and relates to legacy pension liabilities.

Non-headline provision movements

The following litigation costs and recoveries have been treated as non-headline items because the provisions were treated as non-headline when originally recognised and the subrogation claims and litigation relate to products that the Group no longer sells in these markets:

- The £4m expense (FY2025: £5m credit) recognised by Titeflex Corporation was principally driven by an increase in the number of expected claims. See note 23 for further details;
- The £30m credit (FY2025: £12m credit) in respect of John Crane, Inc. asbestos litigation is due to a reduction in the future expected indemnity costs. See note 23 for further details; and
- In FY2026 £1m of professional fees have been incurred litigation management, in FY2025 £1m of asbestos litigation costs were recovered by John Crane, Inc. via insurer settlements.

Other items

Corporate restructuring costs of £27m (FY2025: £16m) were incurred on the previously announced Group-wide Acceleration Plan. These costs are treated as non-headline due to being material and part of a pre-approved two year programme.

In the prior year the Group incurred a cyber security incident that involved unauthorised access to the Company's systems and £4m of remediation costs were incurred. These costs have been recognised as non-headline as this was a significant non-recurring event for the Group and did not relate to trading activity.

Acquisition related intangible asset amortisation costs of £33m (FY2025: £29m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

The £2m funding of charitable foundation charge is the FY2026 funding (FY2025: £1m) of the Smiths Group Foundation, a charitable giving foundation with a committed initial £10m of funding linked to engineering-related good causes. This is recognised as non-headline as the charge did not relate to trading activity and has been funded by allocating a portion of disposal proceeds to the foundation on a regular basis.

Non-headline finance costs items

The non-headline items included in finance costs for continuing operations were as follows:

	Notes	**Year ended 31 July 2026 £m**	Year ended 31 July 2025 represented* £m
Unwind of discount on provisions	23	(8)	(9)
Unwind of discount on other payables		–	(1)
Other finance income – retirement benefits	8	5	4
Release of interest payment on overdue VAT		–	4
Other sundry financing losses		(5)	(1)
Non-headline items in finance costs – continuing operations		**(8)**	**(3)**
Continuing operations – non-headline loss before taxation		**(118)**	**(44)**

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

The financing elements of non-headline legacy liabilities, including the £8m (FY2025: £9m) unwind of discount on provisions, were excluded from headline finance costs because these provisions were originally recognised as non-headline and this treatment has been maintained for ongoing costs and credits.

Other finance income comprises £5m (FY2025: £4m) of financing credits relating to retirement benefits. These were excluded from headline finance costs because the ongoing costs and credits are a legacy of previous employee pension arrangements.

Other sundry financing losses of £5m (FY2025: £1m) include £2m of losses on the hedging of non-sterling intercompany financing, £1m fair value hedge ineffectiveness on the two Eurobonds and £2m of other foreign exchange losses.

Non-headline taxation credit

The non-headline items included in taxation for continuing operations were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Tax credit on non-headline loss	6	17	12
Increase in unrecognised UK deferred tax asset	6	(16)	7
Non-headline taxation credit – continuing operations		1	19
Continuing operations – non-headline loss for the year		**(117)**	**(25)**

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

Movement in unrecognised UK deferred tax asset

These movements are reported as non-headline because the original credit was reported as non-headline.

ii. Discontinued operations

The non-headline items for discontinued operations, see note 28 for additional disclosures, were as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Non-headline operating profit items			
Impairment loss on reclassification to held for sale		(11)	(30)
Interconnect separation related costs		–	(8)
Detection restructuring and separation related costs		(8)	(16)
Amortisation of acquisition related intangible assets		(6)	(23)
Impairment of prior year working capital balances		–	(15)
Environmental remediation provision		(5)	(2)
Non-headline finance costs items			
Other finance losses		(1)	(1)
Gain on sale of discontinued operations			
Gain on sale of Smiths Interconnect to Molex Electronic Technologies Holdings, LLC	28	877	–
Gain on sale of Smiths Detection to CVC Capital Partners	28	807	–
Gain on sale of other discontinued operations	28	6	–
Non-headline taxation items			
Tax on non-headline loss		3	–
Non-headline items in profit – discontinued operations		**1,662**	**(95)**
Profit/(loss) for the year – non headline items for continuing and discontinued operations		**1,545**	**(120)**

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

The carrying value of businesses held for sale have been impaired to their fair value less costs to sell. The £11m of impairment losses recognised in FY2026 relate to certain Flex-Tek's general industrial businesses, the £30m impairment loss recognised in FY2025 relates to Interconnect's US sub-systems business.

In FY2025 £8m of separation costs were incurred on the Smiths Interconnect sale. These costs have been reported as non-headline as they were both material and non-recurring.

Detection restructuring and separation costs amounted to £8m (FY2025: £16m); this represents the incremental costs incurred by the Group to sell/demerge the Smiths Detection business. These costs have been reported as non-headline as the total cost of the project is both material and non-recurring.

Acquisition related intangible asset amortisation costs of £6m (FY2025: £23m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

In FY2025, following a balance sheet investigation at a stand-alone Flex-Tek general industrial business, a £15m impairment charge was recognised. This was recognised as a non-headline item as the charge was a significant non-recurring item that related to multiple prior years.

The £5m (FY2025: £2m) environmental remediation provision relate to a site contamination within a Flex-Tek general industrial business. The provision was considered to be non-headline as it was due to a legacy site contamination, that arose prior to the Smiths Group ownership, and does not relate to current trading activity.

The £3m non-headline taxation credit (FY2025: £nil) comprises credits for the non-headline items above.

4. Net finance costs

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Interest income		44	35
Interest expense:			
– bank loans and overdrafts, including associated fees		(48)	(44)
– other loans		(27)	(12)
– interest on leases		(6)	(5)
– interest on uncertain tax provisions		1	(1)
Interest expense		(80)	(62)
Headline net finance costs		**(36)**	**(27)**
Other financing (losses)/gains:			
– valuation movements on fair value hedged debt		22	(13)
– valuation movements on fair value derivatives		(23)	15
– foreign exchange and ineffectiveness on net investment hedges		(4)	(3)
– unwind of discount on provisions and other payables	3	(8)	(10)
Other non-headline financing losses		**(13)**	**(11)**
Other non-headline finance cost items:			
– release of interest payment on overdue VAT		–	4
– other finance income – Interest on retirement benefits	8	5	4
Other non-headline finance cost items		**5**	**8**
Net finance costs		**(44)**	**(30)**

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

5. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the Company by the average number of ordinary shares in issue during the year.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Profit attributable to equity shareholders for the year:		
– continuing	155	252
– discontinued	1,815	38
Total	**1,970**	**290**

	Year ended 31 July 2026 Number of shares	Year ended 31 July 2025 Number of shares
Number of shares in issue, net of shares held in Employee Benefit Trust:		
Weighted average number for basic earnings per share	313,252,549	338,390,299
Adjustment for potentially dilutive shares	1,307,740	1,576,039
Weighted average number for diluted earnings per share	**314,560,289**	**339,966,338**

Nil options (FY2025: nil) were excluded from this calculation because their effect was anti-dilutive.

	Year ended 31 July 2026 pence	Year ended 31 July 2025 represented* pence
Statutory earnings per share total – basic	628.8p	85.7p
Statutory earnings per share total – diluted	626.2p	85.3p
Statutory earnings per share continuing operations – basic	49.5p	74.5p
Statutory earnings per share continuing operations – diluted	49.3p	74.1p
Statutory earnings per share discontinued operations – basic	579.3p	11.2p
Statutory earnings per share discontinued operations – diluted	576.9p	11.2p

A reconciliation of statutory and headline earnings per share is as follows:

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	£m	Basic EPS (p)	Diluted EPS (p)	£m	Basic EPS (p)	Diluted EPS (p)
Total profit attributable to equity shareholders of the Parent Company	1,970	628.8p	626.2p	290	85.7p	85.3p
Exclude: Non-headline items (note 3)	(1,545)			120		
Headline earnings per share	**425**	**135.7p**	**135.1p**	**410**	**121.2p**	**120.6p**
Profit from continuing operations attributable to equity shareholders of the Parent Company	155	49.5p	49.3p	252	74.5p	74.1p
Exclude: Non-headline items (note 3)	117			25		
Headline earnings per share – continuing operations	**272**	**86.8p**	**86.5p**	**277**	**81.9p**	**81.5p**

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and Flex-Tek general industrial businesses as discontinued operations.

6. Taxation

This note only provides information about corporate income taxes under IFRS. Smiths companies operate in over 50 countries across the world. They pay and collect many different taxes in addition to corporate income taxes including: payroll taxes; value added and sales taxes; property taxes; product-specific taxes; and environmental taxes. The costs associated with these other taxes are included in profit before tax.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
The taxation charge in the consolidated income statement for the year comprises:		
Continuing operations		
Current taxation:		
– current income tax charge	81	78
– deferred taxation	7	(15)
Total taxation expense – continuing operations	**88**	**63**
Discontinued operations		
Current taxation:		
– current income tax charge	37	39
– deferred taxation	17	16
Total taxation expense – discontinued operations	**54**	**55**

	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Analysed as:		
Headline taxation expense	146	137
Non-headline taxation credit	(4)	(19)
Total taxation expense in the consolidated income statement	**142**	**118**

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

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Tax on items credited to equity		
Deferred tax:		
– retirement benefit schemes	(14)	–
– share based payments	(2)	(1)
Total taxation on items credited to equity	**(16)**	**(1)**

Current taxation liabilities

	Current tax £m
At 31 July 2024	**(46)**
Charge to income statement – continuing operations*	(78)
Charge to income statement – discontinued operations*	(39)
Tax paid	113
Transfer to held for sale	4
At 31 July 2025	**(46)**
Comprising:	
Current tax receivable	20
Current tax payable within one year	(66)
At 31 July 2025	**(46)**
Charge to income statement – continuing operations	(81)
Charge to income statement – discontinued operations	(37)
Tax paid	108
Transfer to held for sale	30
At 31 July 2026	**(26)**
Comprising:	
Current tax receivable	9
Current tax payable within one year	(35)
At 31 July 2026	**(26)**

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

Total provisions for tax liabilities amount to £16m relating to current tax (FY2025: total £35m, current tax £30m). The majority of which relates to the risk of challenge from tax authorities to the geographic allocation of profits across the Group.

In addition to the risks provided for, the Group faces a variety of other tax risks, which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules, new and ongoing tax audits in the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group anticipates that a number of tax audits are likely to conclude in the next 12 to 24 months for which provisions are recognised based on best estimates and management's judgements concerning the ultimate outcome of the audit. Due to the uncertainty associated with such items, it is possible at a future date, on conclusion of open tax matters, the final outcome may vary significantly from the amounts noted above.

Reconciliation of the tax charge

The headline tax charge for the year of £89m (FY2025: £82m) represents an effective rate of 24.4% (FY2025: 22.7%).

The tax charge on the profit for the year for continuing operations is different from the standard rate of corporation tax in the UK, with a rate for FY2026 of 25.0% (FY2025: 25.0%). The differences are reconciled as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Profit before taxation	**245**	**317**
Notional taxation expense at UK corporate rate of 25.0% (FY2025: 25.0%)	61	79
Different tax rates on non-UK profits and losses	(4)	(8)
Non-deductible expenses and other charges	24	13
Tax credits and non-taxable income	(9)	(14)
Non-headline UK deferred tax asset recognition adjustment	16	(7)
Other adjustments to unrecognised deferred tax	–	(1)
Prior year true-up	–	1
Taxation on continuing operations	**88**	**63**
Taxation on discontinued operations	**54**	**55**
Total taxation expense in the consolidated income statement	**142**	**118**
Comprising:		
Taxation on headline profit	89	82
Non-headline taxation items:		
– Tax credit on non-headline loss	(17)	(12)
– UK deferred tax asset recognition adjustment	16	(7)
Taxation on non-headline items	(1)	(19)
Taxation on discontinued operations	54	55
Total taxation expense in the consolidated income statement	**142**	**118**

The table above reconciles the notional taxation charge calculated at the UK tax rate, to the actual total tax charge. As a group operating in multiple countries, the actual tax rates applicable to profits in those countries are different from the UK tax rate. The impact is shown above as different tax rates on non-UK profits and losses. The Group's worldwide business leads to the consideration of a number of important factors which may affect future tax charges, such as: the levels and mix of profitability in different jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms, acquisitions, disposals, restructuring activities, and settlements or agreements with tax authorities.

Deferred taxation assets/(liabilities)

	Property, plant, equipment and intangible assets £m	Employment benefits £m	Losses carried forward £m	Provisions £m	Other £m	Total £m
At 31 July 2024	**(79)**	**(12)**	**65**	**71**	**17**	**62**
Reallocations	6	–	(4)	4	(6)	–
Charge to income statement – continuing operations	5	(1)	(3)	(6)	4	(1)
Credit to equity	–	1	–	–	–	1
Acquisitions in the year	(9)	–	–	–	–	(9)
Foreign exchange rate movements	1	–	(1)	(3)	–	(3)
Reclassified as held for sale	18	–	(9)	(2)	(2)	5
At 31 July 2025	**(58)**	**(12)**	**48**	**64**	**13**	**55**
Comprising:						
Deferred tax assets	(12)	(15)	28	60	37	98
Deferred tax liabilities	(46)	3	20	4	(24)	(43)
At 31 July 2025	**(58)**	**(12)**	**48**	**64**	**13**	**55**
Charge to income statement – continuing operations	1	11	(23)	(7)	11	(7)
Credit to equity	–	16	–	–	–	16
Foreign exchange rate movements	–	–	–	(1)	–	(1)
Reclassified as held for sale, subsequently disposed	28	(4)	(21)	(4)	(7)	(8)
At 31 July 2026	**(29)**	**11**	**4**	**52**	**17**	**55**
Comprising:						
Deferred tax assets	(20)	11	4	51	32	78
Deferred tax liabilities	(9)	–	–	1	(15)	(23)
At 31 July 2026	**(29)**	**11**	**4**	**52**	**17**	**55**

Of the amounts included within 'Other', shown in the above table, as at 31 July 2026, amounts relating to tax on unremitted earnings were £14m (FY2025: £22m). The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is immaterial.

The deferred tax asset relating to losses has been recognised on the basis of strong evidence of future taxable profits against which the unutilised tax losses can be relieved or it is probable that they will be recovered against the reversal of deferred tax liabilities. The closing net deferred tax asset balance attributable to UK activities and included in the balance at 31 July 2026 amounted to £nil (FY2025: £nil). Deferred tax attributable to provisions includes £37m (FY2025: £46m) relating to John Crane Inc litigation provision, and £7m (FY2025: £6m) relating to Titeflex Corporation. See note 23 for additional information on provisions.

Losses with unrecognised deferred tax
The Group does not recognise deferred tax on losses of £517m (FY2025: £572m).

The expiry date of operating losses carried forward is dependent upon the law of the various territories in which the losses arise. A summary of expiry dates in respect of which deferred tax has not been recognised is set out below:

	2026 £m	**Expiry of losses**	2025 £m	Expiry of losses
Unrestricted losses – operating losses	517	No expiry	572	No expiry

Tax losses for which no deferred tax asset is recognised decreased by £55m (FY2025: £31m decrease). The reduction was primarily driven by the disposal of the Smiths Detection and Smiths Interconnect businesses, which reduced unrecognised losses by £163m. This was partially offset by a £93m increase in unrecognised UK tax losses following the buy-in of the Smiths Industries Pension Scheme (SIPS). The buy-in resulted in the related pension deferred tax position changing from a deferred tax liability to a deferred tax asset, which has not been recognised.

Developments in the Group tax position
The Pillar Two (global minimum taxes legislation) charge borne by Smiths Group does not have a material impact on the Group's FY2026 ETR.

7. Employees

	Year ended 31 July 2026			Year ended 31 July 2025 - represented*		
	Continuing Operations £m	Discontinued Operations £m	Total £m	Continuing Operations £m	Discontinued Operations £m	Total £m
Staff costs during the period						
Wages and salaries	491	313	804	486	379	865
Social security	66	38	104	63	43	106
Share-based payment (note 9)	19	5	24	17	4	21
Pension costs (including defined contribution schemes) (note 8)	24	13	37	22	13	35
Total	**600**	**369**	**969**	**588**	**439**	**1,027**

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

The average number of persons employed, including employees on permanent, fixed term and temporary contracts, rounded to the nearest 50 employees, was:

	Year ended 31 July 2026	Year ended 31 July 2025 represented*
John Crane	6,300	6,250
Flex-Tek	3,650	3,700
Corporate (including central/shared IT services)	350	350
Continuing operations	**10,300**	**10,300**
Smiths Detection	3,300	3,500
Smiths Interconnect	1,650	2,650
Flex-Tek General Industrial	400	500
Total	**15,650**	**16,950**

Key management

The key management of the Group comprises Smiths Group plc Board Directors and Executive Committee members. Their aggregate compensation is shown below. Further information for the Executive Directors is available in the single figure remuneration table within the Annual Report 2026. Further information for the Non-executive Directors is available in the single figure remuneration table within the Annual Report 2026.

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Key management compensation		
Salaries and short-term employee benefits	12.2	16.3
Cost of retirement benefits	0.4	0.6
Cost of share-based incentive plans	10.1	9.4

No member of key management had any material interest during the period in a contract of significance (other than a service contract or a qualifying third-party indemnity provision) with the Company or any of its subsidiaries.

Options and awards held at the end of the period by key management in respect of the Company's share-based incentive plans were:

	Year ended 31 July 2026		Year ended 31 July 2025	
	Number of instruments '000	Weighted average exercise price	Number of instruments '000	Weighted average exercise price
LTIP	1,450		1,375	
SAYE	7	£15.00	10	£13.09

Related party transactions

The only related party transactions in FY2026 were key management compensation (FY2025: key management compensation).

8. Retirement benefits

The Group provides retirement benefits to employees in a number of countries. This includes defined benefit and defined contribution plans and, mainly in the United Kingdom (UK) and United States of America (US), post-retirement healthcare.

Defined contribution plans

The Group operates defined contribution plans across many countries. In the UK a defined contribution plan has been offered since the closure of the UK defined benefit pension plans. In the US a 401(k) defined contribution plan operates. The total expense recognised in the consolidated income statement in respect of all these plans was £35m (FY2025: £33m).

Defined benefit and post-retirement healthcare plans

The principal defined benefit pension plans are in the UK and in the US and these have been closed so that no future benefits are accrued.

For all schemes, pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. These valuations have been updated by independent qualified actuaries in order to assess the liabilities of the schemes as at 31 July 2026. Contributions to the schemes are made on the advice of the actuaries, in accordance with local funding requirements.

The changes in the present value of the net pension asset in the period were:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
At beginning of period	**32**	**29**
Current service cost	(2)	(2)
Headline scheme administration costs	(2)	(2)
Non-headline scheme administration costs	(6)	(4)
Past service cost, curtailments, settlements	(57)	–
Finance income – retirement benefits – continuing operations	5	3
Finance income – retirement benefits – discontinued operations	(1)	–
Contributions by employer	15	11
Actuarial losses	(70)	(3)
Retirement benefit obligations extinguished on disposal	38	–
Net retirement benefit (liability)/asset	**(48)**	**32**

UK pension schemes

The Group's funded UK pension schemes are subject to a statutory funding objective, as set out in UK pension legislation. Scheme trustees need to obtain regular actuarial valuations to assess the scheme against this funding objective. The trustees and sponsoring companies need to agree funding plans to improve the position of a scheme when it is below the acceptable funding level.

The UK Pensions Regulator has extensive powers to protect the benefits of members, promote good administration and reduce the risk of situations arising which may require compensation to be paid from the Pension Protection Fund. These include imposing a schedule of contributions or the calculation of the technical provisions, where a trustee and company fail to agree appropriate calculations.

Smiths Industries Pension Scheme (SIPS)

This scheme was closed to future accrual effective 1 November 2009. SIPS provides index-linked (to applicable caps) pension benefits based on final earnings at date of closure. SIPS is governed by a corporate trustee (S.I. Pension Trustees Limited, a wholly owned subsidiary of Smiths Group plc). The board of trustee directors currently comprises three Company-nominated trustees and three member-nominated trustees, with an independent chairman selected by Smiths Group plc. Trustee directors are responsible for the management, administration, funding and investment strategy of the scheme.

In July 2026, the SIPS trustee completed a deal to secure its remaining uninsured pension liabilities by way of a bulk annuity buy-in with M&G. This means all of the scheme's liabilities are insured via five buy-in policies. The final buy-in has been secured with an intention to fully buyout the scheme as soon as reasonably practical. Consequently, the income statement recognises a settlement loss of £6m in relation to the buy-in. In terms agreed between the Group and the SIPS trustee prior to the transaction, when SIPS converts all of its buy-in policies to buy-out policies and subsequently winds-up, the Group expects the trustee to use a portion of any surplus remaining, after the costs of buying-out and winding-up the scheme have been met, to improve member benefits. A past service cost of £52m has been recognised for this in the income statement. A final decision on the distribution of surplus will be taken at the appropriate time as part of the winding-up process and, as the Group does not have an unconditional right to a refund in this scenario, the Group has placed an economic benefit value of zero on the SIPS surplus from 1 July 2026.

As SIPS currently retains the legal obligation to pay all scheme benefits, SIPS liabilities remain part of the retirement benefit obligations on the balance sheet alongside the corresponding buy-in assets. These liabilities and assets will be de-recognised at the point the buy-in policies are converted to buy-outs and the legal obligation for payment of benefits is transferred to the relevant insurers.

The most recent actuarial valuation of this scheme has been performed using the Projected Unit Method as at 31 March 2023. The valuation showed a surplus of £26m on the Technical Provisions funding basis at the valuation date and the funding position has improved since then. As part of the valuation agreement, no contributions are currently being paid to SIPS and the Group's current expectation is that contributions will not recommence. The next actuarial valuation is due as at 31 March 2026.

The duration of SIPS liabilities is around 18 years (FY2025: 19 years) for active deferred members, 15 years (FY2025: 16 years) for deferred members and 8 years (FY2025: 9 years) for pensioners and dependants.

TI Group Pension Scheme (TIGPS)

This scheme was closed to future accrual effective 1 November 2009. TIGPS is governed by a corporate trustee (TI Pension Trustee Limited, an independent company). The board of trustee directors comprises three Company-nominated trustees and four member-nominated trustees, with an independent trustee director selected by the trustee.

In May 2026 the TIGPS trustee converted the existing buy-in policies to buy-out policies. The liabilities and corresponding assets of TIGPS of £778m have therefore been de-recognised from 11 May 2026, as the legal obligation for payment of benefits transferred to the relevant insurers from that date.

The most recent actuarial valuation of this scheme has been performed using the Projected Unit Method as at 5 April 2023. Given TIGPS's circumstances, the Group's current expectation is that no further contributions to TIGPS will be required. No further actuarial valuations are expected to be carried out and TIGPS is expected to be wound-up in FY2027, with any cash surplus remaining, after the costs of winding-up the scheme have been met, being returned to the Group. The Group currently has no expectation of receiving a refund from the scheme and has placed an economic benefit value of zero on the TIGPS surplus from 10 June 2022.

US pension plans

The valuations of the principal US pension and post-retirement healthcare plans were performed using census data at 1 January 2026.

The pension plans were closed with effect from 30 April 2009 and benefits were calculated as at that date and are not revalued. Governance of the US pension plans is overseen by a Settlor Committee appointed by Smiths Group Services Corp, a wholly owned subsidiary of the Group.

The duration of the liabilities for the largest US plan is around 13 years (FY2025: 14 years) for active deferred members, 12 years (FY2025: 13 years) for deferred members and 9 years (FY2025: 9 years) for pensioners and dependants.

Risk management

In respect of uninsured liabilities, the pensions schemes are exposed to risks that:

- Investment returns are below expectations, leaving the schemes with insufficient assets in future to pay all their pension obligations;
- Members and dependants live longer than expected, increasing the value of the pensions which the schemes have to pay;
- Inflation rates are higher than expected, causing amounts payable under index-linked pensions to be higher than expected; and
- Increased contributions are required to meet funding targets if lower interest rates increase the current value of liabilities.

These risks are managed separately for each pension scheme. However, the Group has adopted a common approach of closing defined benefit schemes to cap members' entitlements and of supporting trustees in adopting investment strategies which aim to hedge the value of assets against changes in the value of liabilities caused by changes in interest and inflation rates.

TIGPS

The legal obligation for payment of TIGPS benefits transferred to the relevant insurers from 11 May 2026, eliminating all investment return, longevity, inflation and funding risks from that date.

SIPS

SIPS has covered roughly 100% of its current liabilities with matching annuities, eliminating investment return, longevity, inflation and funding risks in respect of those liabilities.

The critical estimates and principal assumptions used in updating the valuations are set out below:

	2026 UK	**2026 US**	**2026 Other**	2025 UK	2025 US	2025 Other
Rate of increase in salaries	n/a	n/a	1.8%	n/a	n/a	0.2%
Rate of increase for active deferred members	4.3%	n/a	n/a	4.1%	n/a	n/a
Rate of increase in pensions in payment	3.3%	n/a	1.6%	3.1%	n/a	1.8%
Rate of increase in deferred pensions	3.3%	n/a	n/a	3.1%	n/a	n/a
Discount rate	6.3%	5.9%	2.9%	5.6%	5.5%	2.6%
Inflation rate	3.3%	n/a	1.4%	3.1%	n/a	0.9%

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension plans are set by the Group after consultation with independent professionally qualified actuaries. The assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily occur in practice. For countries outside the UK and the US, assumptions are disclosed as a weighted average.

Inflation rate assumptions

The RPI inflation assumption of 3.3% has been derived as the cashflow-weighted breakeven inflation rate from LCP's Gilt Yield Curve, with an Inflation Risk Premium of 0.1% p.a. (FY2025: 0.1%). This is a change in approach from FY2025, where inflation was derived from Aon's Gilt Prices Only Yield Curve.

The Government's response to its consultation on RPI reform was published on 25 November 2020, and strongly implied that RPI will become aligned with CPI-H from 2030. No specific allowance (beyond anything already priced into markets) has been factored into the RPI assumptions for potential changes. The assumption for the long-term gap between RPI and CPI is 0.4% p.a. (FY2025: 0.4%) reflecting the Group's view on the market pricing of this gap over the lifetime of the UK schemes' liabilities, i.e., 0.9% p.a. (FY2025: 0.9%) pre-2030 and 0.1% p.a. post-2030 (FY2025: 0.1%).

Discount rate assumptions

The UK schemes use a discount rate based on the annualised yield on the LCP Accounting Curve and the expected cashflows for each scheme. This is a change in approach from FY2025, where the Aon GBP Single Agency Curve was adopted using notional cashflows.

The US plan uses a discount rate based on the annualised yield derived from Willis Towers Watson's RATE:Link (10th – 90th) model using the Plan's expected cashflows.

Mortality assumptions

The mortality assumptions used in the principal UK schemes are based on the 'SAPS S3' birth year tables with relevant scaling factors based on the recent experience of the schemes. The assumption allows for future improvements in life expectancy in line with the 2025 CMI projections, with a smoothing factor of 7.0 and 'A' parameter of 0.5% and blended to a long-term rate of 1.5%. The latest CMI projections incorporate allowance for the impact of COVID-19 through a new half-life parameter of 1.0, which allows for excess deaths due to the pandemic to halve year-on-year. In FY2025, allowance for the impact of COVID-19 was made by placing a weighting of 0% on 2020 and 2021 mortality data and a weighting of 15% on 2022 and 2023 mortality data.

The mortality assumptions used in the principal US plans are based on generational mortality using the latest Pri-2012 sex-distinct, employee/non-disabled annuitant table, with a 2012 base year, projected forward generationally with the latest MP-2021 mortality scale. No explicit adjustment has been made to mortality assumptions in respect of COVID-19. The impact of COVID-19 remains uncertain and further data studies are underway to better predict the impact on future mortality.

				UK schemes
Expected further years of life	**Male 31 July 2026**	**Female 31 July 2026**	Male 31 July 2025	Female 31 July 2025
Member who retires next year at age 65	23	25	22	24
Member, currently 45, when they retire in 20 years' time	24	26	23	25

				US schemes
Expected further years of life	**Male 31 July 2026**	**Female 31 July 2026**	Male 31 July 2025	Female 31 July 2025
Member who retires next year at age 65	21	23	21	22
Member, currently 45, when they retire in 20 years' time	22	24	22	24

Sensitivity

Sensitivities in respect of the key assumptions used to measure the principal pension schemes as at 31 July 2026 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. In practice, such assumptions rarely change in isolation.

	Profit before tax for year ended 31 July 2026 £m	**Increase/ (decrease) in scheme assets 31 July 2026 £m**	**(Increase)/ decrease in scheme liabilities 31 July 2026 £m**	Profit before tax for year ended 31 July 2025 £m	Increase/ (decrease) in scheme assets 31 July 2025 £m	(Increase)/ decrease in scheme liabilities 31 July 2025 £m
Rate of mortality – one year increase in life expectancy	–	56	(62)	(2)	53	(90)
Rate of mortality – one year decrease in life expectancy	–	(56)	62	2	(55)	93
Rate of inflation – 0.25% increase	–	17	(17)	(1)	19	(37)
Discount rate – 0.25% increase	–	(24)	28	2	(28)	56
Market value of scheme assets – 2.5% increase	–	7	–	2	28	–

The effect on profit before tax reflects the impact of current service cost and net interest cost. The value of the scheme assets is affected by changes in mortality rates, inflation and discounting because they affect the carrying value of the insurance assets.

Asset valuation

The pension schemes hold assets in a variety of pooled funds, in which the underlying assets typically are invested in credit and cash assets. These funds are valued. The price of the funds is set by administrators/custodians employed by the investment managers and based on the value of the underlying assets held in the funds. Prices are generally updated daily, weekly or quarterly depending upon the frequency of the fund's dealing.

Bonds are valued using observable broker quotes. Gilt repurchase obligations are valued by the relevant manager, which derives the value using an industry recognised model with observable inputs.

Total return, interest and inflation swaps and forward FX contracts are bilateral agreements between counterparties and do not have observable market prices. These derivative contracts are valued using observable inputs.

Insured liabilities comprise annuity policies that match all or part of the scheme obligation to identified groups of members. These assets are valued by an external qualified actuary at the actuarial valuation of the corresponding liability, reflecting this matching relationship.

The insurance policies are treated as qualifying insurance policies as none of the insurers are related parties of the Group, and the proceeds of the policies can only be used to pay or fund employee benefits for the respective schemes, are not available to the Group's creditors and cannot be paid to the Group.

Retirement benefit plan assets

	31 July 2026 – £m			
	UK schemes	**US schemes**	**Other countries**	**Total**
Cash and cash equivalents	68	19	2	89
Pooled funds:				
– Pooled equity	–	22	8	30
– Pooled Diversified Growth	–	–	12	12
Corporate bonds	–	68	–	68
Government bonds/LDI	43	69	1	113
Insured liabilities	1,102	–	–	1,102
Total market value	**1,213**	**178**	**23**	**1,414**

	31 July 2025 – £m			
	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	30	20	1	51
Pooled funds:				
– Pooled equity	–	21	5	26
– Pooled Diversified Growth	–	–	13	13
– Pooled credit	340	–	–	340
Corporate bonds	131	50	–	181
Government bonds/LDI	436	89	3	528
Insured liabilities	1,199	–	–	1,199
Total market value	**2,136**	**180**	**22**	**2,338**

The UK Government bonds/LDI portfolios contain £43m (FY2025: £763m) of UK Government bonds (gilts), £nil (FY2025: £341m) of gilt repurchase obligations and £nil of interest and inflation swaps (FY2025: £15m) and forward FX contracts with a net obligation of £nil (FY2025: £1m). These assets were primarily held by SIPS to hedge against interest rate, inflation and foreign currency risks. Following the buy-in on 1 July 2026, these risks have been largely eliminated and so significant hedging assets are no longer required. The pooled funds and insured liabilities are unquoted. The scheme assets do not include any property occupied by, or other assets used by, the Group.

The asset valuations are effective as at the end of the period, consistent with the calculations determining the obligations.

The Group acknowledges that responsibility for the effective management of the schemes' assets lies primarily with the trustees, but also accepts that any risks inherent in the investment strategy, including ESG and climate risk, are ultimately underwritten by the Group. Consequently, the Group ensures that the trustees' investment strategy and statements of investment principles are compatible with the Group's wider sustainability strategy.

The legal obligation for payment of TIGPS benefits transferred to the relevant insurers from 11 May 2026, eliminating all investment risks, including ESG and climate risk, from that date.

For SIPS, where all benefits are now secured by way of annuity purchase, all investment risks including ESG and climate risk, have effectively now been eliminated.

Present value of funded scheme liabilities and assets for the main UK and US schemes

	31 July 2026 – £m		
	SIPS	**TIGPS**	**US schemes**
Present value of funded scheme liabilities:			
– Active deferred members	(10)	–	(18)
– Deferred members	(333)	–	(67)
– Pensioners	(808)	–	(91)
Present value of funded scheme liabilities	**(1,151)**	**–**	**(176)**
Market value of scheme assets	1,210	3	178
Surplus restriction	(59)	(3)	–
Surplus/(deficit)	**–**	**–**	**2**

	31 July 2025 – £m		
	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities:			
– Active deferred members	(12)	(8)	(26)
– Deferred members	(332)	(260)	(71)
– Pensioners	(841)	(544)	(91)
Present value of funded scheme liabilities	**(1,185)**	**(812)**	**(188)**
Market value of scheme assets	1,313	823	180
Surplus restriction	–	(11)	–
Surplus/(deficit)	**128**	**–**	**(8)**

Net retirement benefit obligations

	31 July 2026 – £m			
	UK schemes	**US schemes**	**Other countries**	**Total**
Market value of scheme assets	1,213	178	23	1,414
Present value of funded scheme liabilities	(1,151)	(176)	(29)	(1,356)
Surplus restriction	(62)	–	–	(62)
Surplus/(deficit)	–	2	(6)	(4)
Unfunded pension plans	(32)	(5)	(4)	(41)
Post-retirement healthcare	(3)	–	–	(3)
Present value of unfunded obligations	(35)	(5)	(4)	(44)
Net pension asset/(liability)	**(35)**	**(3)**	**(10)**	**(48)**
Comprising:				
Retirement benefit assets	–	2	–	2
Retirement benefit liabilities	(35)	(5)	(10)	(50)
Net pension asset/(liability)	**(35)**	**(3)**	**(10)**	**(48)**

	31 July 2025 – £m			
	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,136	180	22	2,338
Present value of funded scheme liabilities	(1,997)	(188)	(28)	(2,213)
Surplus restriction	(11)	–	–	(11)
Surplus/(deficit)	**128**	**(8)**	**(6)**	**114**
Unfunded pension plans	(33)	(5)	(41)	(79)
Post-retirement healthcare	(2)	(1)	–	(3)
Present value of unfunded obligations	(35)	(6)	(41)	(82)
Net pension asset/(liability)	**93**	**(14)**	**(47)**	**32**
Comprising:				
Retirement benefit assets	128	–	–	128
Retirement benefit liabilities	(35)	(14)	(47)	(96)
Net pension asset/(liability)	**93**	**(14)**	**(47)**	**32**

Where any individual scheme shows a recoverable surplus under IAS 19, this is disclosed on the balance sheet as a retirement benefit asset. The IAS 19 surplus of any one scheme is not available to fund the IAS 19 deficit of another scheme. The retirement benefit asset disclosed arises from the rights of the employers to recover the surplus at the end of the life of the scheme, i.e., when the last beneficiary's obligation has been met.

Amounts recognised in the consolidated income statement

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Amounts charged to operating profit		
Current service cost	2	2
Past service cost, curtailments, settlements	57	–
Headline scheme administration costs	2	2
Non-headline scheme administration costs	6	4
	67	**8**
The operating cost is charged as follows:		
Headline administrative expenses	4	4
Non-headline administrative expenses	63	4
	67	**8**
Amounts credited to finance costs		
Non-headline other finance income – retirement benefits	**(5)**	**(3)**

Amounts recognised directly in the consolidated statement of comprehensive income

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Re-measurements of retirement defined benefit assets and liabilities		
Difference between interest credit and return on assets	(67)	(197)
Experience gains/(losses) on scheme liabilities	(24)	25
Actuarial gains arising from changes in demographic assumptions	(21)	–
Actuarial gains/(losses) arising from changes in financial assumptions	93	169
Movement in surplus restriction	(51)	–
	(70)	**(3)**

Changes in present value of funded scheme assets

	31 July 2026 – £m			
	UK schemes	US schemes	Other countries	Total
At beginning of period	**2,136**	**180**	**22**	**2,338**
Foreign exchange rate movements	–	(3)	–	(3)
Interest on assets	150	10	–	160
Actuarial movement on scheme assets	(110)	(3)	1	(112)
Employer contributions	–	10	–	10
Scheme administration costs	(8)	(1)	–	(9)
Assets distributed on settlements	(784)	–	–	(784)
Benefits paid	(171)	(15)	–	(186)
At end of period	**1,213**	**178**	**23**	**1,414**

	31 July 2025 – £m			
	UK schemes	US schemes	Other countries	Total
At beginning of period	**2,372**	**190**	**21**	**2,583**
Foreign exchange rate movements	–	(6)	–	(6)
Interest on assets	115	9	1	125
Actuarial movement on scheme assets	(192)	(6)	1	(197)
Employer contributions	–	5	–	5
Scheme administration costs	(5)	(1)	–	(6)
Benefits paid	(154)	(11)	(1)	(166)
At end of period	**2,136**	**180**	**22**	**2,338**

Changes in present value of funded defined benefit obligations

	31 July 2026 – £m			
	UK schemes	**US schemes**	**Other countries**	**Total**
At beginning of period	**(1,997)**	**(188)**	**(28)**	**(2,213)**
Foreign exchange rate movements	–	3	–	3
Past service costs	(51)	–	–	(51)
Interest on obligations	(141)	(10)	(2)	(153)
Actuarial movement on liabilities	89	4	(1)	92
Liabilities extinguished on settlements	778	–	–	778
Benefits paid	171	15	2	188
At end of period	**(1,151)**	**(176)**	**(29)**	**(1,356)**

	31 July 2025 – £m			
	UK schemes	US schemes	Other countries	Total
At beginning of period	**(2,229)**	**(201)**	**(26)**	**(2,456)**
Foreign exchange rate movements	–	6	–	6
Past service costs	–	–	–	–
Interest on obligations	(107)	(10)	(2)	(119)
Actuarial movement on liabilities	185	6	(1)	190
Benefits paid	154	11	1	166
At end of period	**(1,997)**	**(188)**	**(28)**	**(2,213)**

Changes in present value of unfunded defined benefit pensions and post-retirement healthcare plans

	Assets		Obligations	
	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m	**Year ended 31 July 2026 £m**	Year ended 31 July 2025 £m
At beginning of period	**–**	**–**	**(82)**	**(87)**
Current service cost	–	–	(2)	(2)
Interest on obligations	–	–	(3)	(3)
Actuarial movement	–	–	1	4
Employer contributions	4	6	–	–
Liabilities extinguished on disposal	–	–	38	–
Benefits paid	(4)	(6)	4	6
At end of period	**–**	**–**	**(44)**	**(82)**

The £38m of liabilities extinguished on disposal represent the retirement benefit obligations of the Smiths Interconnect and Smiths Detection businesses that were sold during the financial year. See note 28 for further information.

Changes in the effect of the asset ceiling over the year

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Irrecoverable asset at beginning of period	**(11)**	**(11)**
Actuarial movement on scheme assets	(51)	–
At end of period	**(62)**	**(11)**

Cash contributions

Company contributions to the defined benefit pension plans and post-retirement healthcare plans totalled £15m (FY2025: £11m). This comprised an additional £10m contribution to the US funded scheme (FY2025: £5m) and £5m (FY2025: £6m) on providing benefits under unfunded defined benefit pension and post-retirement healthcare plans.

In FY2027, cash contributions to the Group's schemes are expected to be up to £10m in total.

Recent legal rulings

In July 2024, the UK Court of Appeal upheld the High Court's June 2023 ruling in the Virgin Media v NTL Pension Trustees II court case relating to section 37 of the Pension Schemes Act 1993 and amendments to benefits for contracted-out defined benefit schemes, such as SIPS and TIGPS. The ruling confirmed the need for an actuarial confirmation where such schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any amendments were void without the appropriate confirmation. The Government introduced new legislation in the Pensions Act 2026 that gives affected pension schemes the ability to retrospectively obtain any necessary actuarial confirmations that historic benefit changes met the applicable standards. The Group does not expect this ruling to have any impact on its defined benefit obligations and SIPS will continue to be administered on the current basis.

9. Employee share schemes

The Group operates share schemes and plans for the benefit of employees. The nature of the principal schemes and plans, including general conditions, is set out below:

Long-Term Incentive Plan (LTIP)

The LTIP is a share plan under which an award over a capped number of shares will vest after the end of a three-year performance period if performance conditions are met. LTIP awards are made to selected senior executives, including the Executive Directors.

LTIP performance conditions

Each performance condition has a threshold below which no shares vest and a maximum performance target at or above which the award vests in full. For performance between 'threshold' and 'maximum', awards vest on a straight-line sliding scale. The performance conditions are assessed separately; so performance on one condition does not affect the vesting of the other elements of the award. To the extent that the performance targets are not met over the three-year performance period, awards lapse. There is no re-testing of the performance conditions.

LTIP awards have performance conditions relating to organic revenue growth, growth in headline EPS, ROCE, free cash-flow and meeting ESG targets.

Restricted stock

Restricted stock is used by the Remuneration & People Committee, as a part of recruitment strategy, to make awards in recognition of incentive arrangements forfeited on leaving a previous employer and for retention purposes. If an award is considered appropriate, the award will take account of relevant factors including the fair value of awards forfeited, any performance conditions attached, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Save as you earn (SAYE)

The SAYE scheme is an HM Revenue & Customs approved all-employee savings-related share option scheme which is open to all UK employees. Participants enter into a contract to save a fixed amount per month of up to £500 in aggregate for three years and are granted an option over shares at a fixed option price, set at a discount to market price at the date of invitation to participate. The number of shares is determined by the monthly amount saved and the bonus paid on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions.

Ordinary shares under option/award ('000)	Long-term incentive plans	Restricted stock	Save as you earn scheme	Total	Weighted average exercise price
31 July 2024	**4,389**	**114**	**685**	**5,188**	**£1.62**
Granted	1,909	132	184	2,225	£1.06
Exercised	(968)	(52)	(100)	(1,120)	£1.03
Lapsed	(759)	–	(38)	(797)	£0.61
31 July 2025	4,571	194	731	5,496	£1.65
Granted	1,639	53	90	1,782	£1.08
Exercised	(1,780)	(32)	(135)	(1,947)	£0.78
Lapsed	(1,208)	(18)	(51)	(1,277)	£0.56
31 July 2026	**3,222**	**197**	**635**	**4,054**	**£2.15**

Options and awards were exercised on an irregular basis during the period. The average closing share price over the financial year was 2,472p (FY2025: 1,900p). There has been no change to the effective option price of any of the outstanding options during the period. The number of exercisable share options at 31 July 2026 was nil (31 July 2025: nil).

Range of exercise prices	**Total shares under options/awards at 31 July 2026 ('000)**	**Weighted average remaining contractual life at 31 July 2026 (months)**	Total shares under options/awards at 31 July 2025 ('000)	Weighted average remaining contractual life at 31 July 2025 (months)
£0.00 – £2.00	3,419	16	4,765	17
£6.01 – £10.00	–	–	–	–
£10.01 – £12.00	635	21	731	26

For the purposes of valuing options to arrive at the share-based payment charge, the binomial option pricing model has been used. The key assumptions used in the model were volatility of 25% to 20% (FY2025: 25% to 20%) and dividend yield of 1.9% (FY2025: 2.3%), based on historical data, for the period corresponding with the vesting period of the option. These generated a weighted average fair value for LTIP of £18.98 (FY2025: £15.66), and restricted stock of £13.75 (FY2025: £11.34).

Staff costs included £24m (FY2025: £22m) for share-based payments, of which £24m (FY2025: £21m) related to equity-settled share-based payments. The amounts recognised in the consolidated statement of changes in equity for the period were £26m (FY2025: £22m), inclusive of deferred tax.

10. Intangible assets

	Goodwill £m	Development costs £m	Acquired intangibles (see table below) £m	Software, patents and intellectual property £m	Total £m
Cost					
At 31 July 2024	**1,276**	**205**	**645**	**162**	**2,288**
Foreign exchange rate movements	(16)	–	(17)	(2)	(35)
Business combinations	77	–	59	–	136
Additions	–	5	–	3	8
Disposals	–	–	–	(5)	(5)
Reclassified to assets held for sale	(282)	–	(98)	(24)	(404)
At 31 July 2025	**1,055**	**210**	**589**	**134**	**1,988**
Foreign exchange rate movements	(9)	(1)	(9)	(1)	(20)
Business combinations	38	–	109	–	147
Additions	–	–	–	3	3
Disposals	–	–	(7)	(3)	(10)
Reclassified to assets held for sale subsequently disposed	(667)	(209)	(232)	(51)	(1,159)
At 31 July 2026	**417**	**–**	**450**	**82**	**949**
Amortisation and impairments					
At 31 July 2024	**64**	**124**	**453**	**126**	**767**
Foreign exchange rate movements	–	–	(10)	(1)	(11)
Amortisation charge for the year	–	10	52	15	77
Impairment charge for the year	–	–	–	1	1
Disposals	–	–	–	(4)	(4)
Reclassified to assets held for sale	(25)	–	(82)	(19)	(126)
At 31 July 2025	**39**	**134**	**413**	**118**	**704**
Foreign exchange rate movements	–	(1)	(4)	(1)	(6)
Amortisation charge for the year	–	4	39	3	46
Disposals	–	–	(7)	(2)	(9)
Reclassified to assets held for sale subsequently disposed	(39)	(137)	(186)	(48)	(410)
At 31 July 2026	**–**	**–**	**255**	**70**	**325**
Net book value at 31 July 2026	**417**	**–**	**195**	**12**	**624**
Net book value at 31 July 2025	1,016	76	176	16	1,284
Net book value at 31 July 2024	1,212	81	192	36	1,521

The charge associated with the amortisation of intangible assets is included in operating costs on the consolidated income statement.

In addition to goodwill, acquired intangible assets comprise:

	Patents, licences and trademarks £m	Technology £m	Customer relationships £m	Total acquired intangibles £m
Cost				
At 31 July 2024	**23**	**145**	**477**	**645**
Foreign exchange rate movements	(1)	(4)	(12)	(17)
Business combinations	12	–	47	59
Reclassified to assets held for sale	(3)	(39)	(56)	(98)
At 31 July 2025	**31**	**102**	**456**	**589**
Foreign exchange rate movements	(1)	–	(8)	(9)
Business combinations	14	–	95	109
Disposals	–	(2)	(5)	(7)
Reclassified to assets held for sale subsequently disposed	(1)	(99)	(132)	(232)
At 31 July 2026	**43**	**1**	**406**	**450**
Amortisation				
At 31 July 2024	**11**	**102**	**340**	**453**
Foreign exchange rate movements	–	(3)	(7)	(10)
Charge for the year	4	11	37	52
Reclassified to assets held for sale	(3)	(33)	(46)	(82)
At July 2025	**12**	**77**	**324**	**413**
Foreign exchange rate movements	–	–	(4)	(4)
Charge for the year	4	3	32	39
Disposals	–	(2)	(5)	(7)
Reclassified to assets held for sale subsequently disposed	(1)	(77)	(108)	(186)
At July 2026	**15**	**1**	**239**	**255**
Net book value at 31 July 2026	**28**	**–**	**167**	**195**
Net book value at 31 July 2025	**19**	**25**	**132**	**176**
Net book value at 31 July 2024	12	43	137	192

Individually material intangible assets comprise:

- £24m of customer-related intangibles attributable to Heating & Cooling Products (remaining amortisation period: 8 years); and
- £91m of customer-related intangibles attributable to DRC Heat Transfer (DRC) (remaining amortisation period: 15 years).

11. Impairment testing

Goodwill

Goodwill is tested for impairment at least annually or whenever there is an indication that the carrying value may not be recoverable. Further details of the impairment review process and judgements are included in the 'Sources of estimation uncertainty' section of the 'Basis of preparation' for the consolidated financial statements.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash-flows, known as cash generating units (CGUs), taking into consideration the commonality of reporting, policies, leadership and intra-segmental trading relationships. Goodwill acquired through business combinations is allocated to groups of CGUs at a segmental (or operating segment) level, being the lowest level at which management monitors performance separately.

The carrying value of goodwill at 31 July is allocated by business segment as follows:

	2026 £m	**2026 Number of CGUs**	2025 £m	2025 Number of CGUs
John Crane	129	1	130	1
Flex-Tek	288	1	263	1
Smiths Detection	–	–	623	1
Smiths Interconnect	–	–	–	1
	417	**2**	**1,016**	**4**

Critical estimates used in impairment testing

The recoverable amount for impairment testing is determined from the higher of fair value less costs of disposal and value in use of the CGU. In assessing value in use, the estimated future cash-flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money, from which pre-tax discount rates are determined.

Fair value less costs of disposal is calculated using available information on past and expected future profitability, valuation multiples for comparable quoted companies and similar transactions (adjusted as required for significant differences) and information on costs of similar transactions. Fair value less costs to sell models are used when trading projections in the strategic plan cannot be adjusted to eliminate the impact of a major restructuring.

The value in use of CGUs is calculated as the net present value of the projected risk-adjusted cash-flows of each CGU. These cash-flow forecasts are based on the FY2026 business plan and the five-year detailed segmental strategic plan projections which have been prepared by segmental management and approved by the Board.

The principal assumptions used in determining the value in use were:

– Revenue: Projected sales were built up with reference to markets and product categories. They incorporated past performance, historical growth rates and projections of developments in key markets;

– Average earnings before interest and tax margin: Projected margins reflect historical performance, our expectations for future cost inflation and the impact of all completed projects to improve operational efficiency and leverage scale. The projections did not include the impact of future restructuring projects to which the Group was not yet committed;

– Projected capital expenditure: The cash-flow forecasts for capital expenditure were based on past experience and included committed ongoing capital expenditure consistent with the FY2027 budget and the segmental strategic projections. The forecasts exclude future capital expenditure that improves the operation in excess of its current standard of performance;

– Discount rate: The discount rates have been determined with reference to illustrative weighted average cost of capital (WACC) for each CGU. In determining these discount rates, management have considered systematic risks specific to each of the Group's CGUs and have validated rates against the Group's WACC, the WACCs of the CGU's peer group and an average of discount rates used by other companies for the industries in which Smiths divisions operate. Pre-tax rates of 14.0% to 15.4% (FY2025: 12.2% to 13.6%) have been used for the impairment testing; and

– Long-term growth rates: For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity was applied immediately at the end of the five-year detailed forecast period. CGU specific long-term growth rates have been calculated by revenue weighting the long-term GDP growth rates of the markets that each CGU operates in. The long-term growth rates used in the testing ranged from 2.0% to 2.5% (FY2025: 2.1% to 2.6%). These rates do not reflect the long-term assumptions used by the Group for investment planning.

Of the principal assumptions above, the key assumptions that the impairment models are most sensitive to are: the revenue growth assumption; the average earnings before interest and tax margin assumption; and the discount rate assumption.

The assumptions used in the impairment testing of CGUs with significant goodwill balances were as follows:

		As at 31 May 2026	
		John Crane	**Flex-Tek**
Net book value of goodwill (£m)		129	288
Basis of valuation		**Value in use**	**Value in use**
Discount rate	– pre-tax	14.0%	15.4%
	– post-tax	11.0%	12.0%
Period covered by management projections		5 years	5 years
Capital expenditure – annual average over projection period (£m)		28	10
Revenue – compound annual growth rate (CAGR) over projection period		6.0%	3.1%
Average earnings before interest and tax margin		24.9%	21.6%
Long-term growth rates		2.5%	2.0%

		As at 31 May 2025			
		John Crane	Flex-Tek	Smiths Detection	Smiths Interconnect
Net book value of goodwill (£m)		128	255	610	252
Basis of valuation		Value in use	Value in use	Value in use	Value in use
Discount rate	– pre-tax	11.8%	13.6%	12.8%	12.7%
	– post-tax	9.4%	10.7%	9.7%	10.3%
Period covered by management projections		5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)		29	11	14	11
Revenue – CAGR over projection period		6.4%	3.5%	4.6%	6.2%

Average earnings before interest and tax margin	25.7%	21.4%	13.3%	21.1%
Long-term growth rates	2.6%	2.1%	2.1%	2.3%

Forecast earnings before interest and tax have been projected using:

- Expected future sales based on the strategic plan, which was constructed at a market level with input from key account managers, product line managers, business development and sales teams. An assessment of the market and existing contracts/programmes was made to produce the sales forecast; and
- Current cost structure and production capacity, which include our expectations for future cost inflation. The projections did not include the impact of future restructuring projects to which the Group was not yet committed.

The forecast model on which the value in use is based on is underpinned by various granular assumptions on operating cash flows, which collectively roll up to the projected EBIT over the forecast period. We consider that each of these granular assumptions do not give rise to significant estimation uncertainty that would result in a material change to the outcome of the impairment test of any of CGUs.

All of the Group's CGUs have significant impairment headroom for both FY2026 and FY2025. There are no CGUs sensitive to impairment, the recoverable amount of all CGUs exceeded their carrying value, on the basis of the assumptions set out in the table above and any reasonably possible changes thereof.

Property, plant and equipment, right of use assets and finite-life intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant, equipment, right of use assets and finite-life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The Group has no indefinite life intangible assets other than goodwill. During the year, impairment tests were carried out for capitalised development costs that have not yet started to be amortised and acquired intangibles where there were indications of impairment. Value in use calculations were used to determine the recoverable values of these assets.

12. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 31 July 2024	**181**	**496**	**114**	**791**
Foreign exchange rate movements	(3)	(8)	–	(11)
Business combinations	–	5	–	5
Additions	6	60	6	72
Disposals	(5)	(22)	(7)	(34)
Reclassified to assets held for sale	(8)	(101)	(26)	(135)
At 31 July 2025	**171**	**430**	**87**	**688**
Foreign exchange rate movements	(2)	(1)	(1)	(4)
Business combinations	1	5	–	6
Additions	12	36	7	55
Disposals	(7)	(30)	(2)	(39)
Reclassified to assets held for sale subsequently disposed	(44)	(81)	(34)	(159)
Reclassified to assets held for sale	–	(10)	–	(10)
At 31 July 2026	**131**	**349**	**57**	**537**
Depreciation				
At 31 July 2024	**113**	**314**	**94**	**521**
Foreign exchange rate movements	(2)	(5)	–	(7)
Charge for the year	9	31	5	45
Disposals	(4)	(21)	(7)	(32)
Impairment charge for the year	3	6	1	10
Reclassified to assets held for sale	(8)	(63)	(22)	(93)
At July 2025	**111**	**262**	**71**	**444**
Foreign exchange rate movements	(1)	(1)	(1)	(3)
Charge for the year	5	18	3	26
Disposals	(6)	(23)	(3)	(32)
Impairment charge for the year	–	3	–	3
Reclassified to assets held for sale subsequently disposed	(25)	(51)	(26)	(102)
Reclassified to assets held for sale	–	(7)	–	(7)
At 31 July 2026	**84**	**201**	**44**	**329**
Net book value at 31 July 2026	**47**	**148**	**13**	**208**
Net book value at 31 July 2025	**60**	**168**	**16**	**244**
Net book value at 31 July 2024	68	182	20	270

13. Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
Cost or valuation				
At 31 July 2024	**212**	**36**	**2**	**250**
Foreign exchange rate movements	(5)	–	–	(5)
Business combinations	6	–	–	6
Recognition of right of use asset	23	5	–	28
Derecognition of right of use asset	(42)	(18)	(1)	(61)
Reclassified to assets held for sale	(23)	–	–	(23)
At 31 July 2025	**171**	**23**	**1**	**195**
Foreign exchange rate movements	(1)	–	–	(1)
Business combinations	5	–	–	5
Recognition of right of use asset	48	4	–	52
Derecognition of right of use asset	(11)	(5)	–	(16)
Reclassified to assets held for sale subsequently disposed	(44)	(6)	–	(50)
Reclassified to assets held for sale	(6)	–	–	(6)
At 31 July 2026	**162**	**16**	**1**	**179**
Depreciation				
At 31 July 2024	**116**	**23**	**1**	**140**
Foreign exchange rate movements	(2)	–	–	(2)
Charge for the year	28	6	–	34
Derecognition of right of use asset	(42)	(18)	(1)	(61)
Impairment charge for the year	2	–	–	2
Reclassified to assets held for sale	(17)	–	–	(17)
At 31 July 2025	**85**	**11**	**–**	**96**
Foreign exchange rate movements	(1)	–	–	(1)
Charge for the year	22	5	–	27
Derecognition of right of use asset	(11)	(5)	–	(16)
Impairment charge for the year	1	–	–	1
Reclassified to assets held for sale subsequently disposed	(17)	(2)	–	(19)
Reclassified to assets held for sale	(4)	–	–	(4)
At 31 July 2026	**75**	**9**	**–**	**84**
Net book value at 31 July 2026	**87**	**7**	**1**	**95**
Net book value at 31 July 2025	86	12	1	99
Net book value at 31 July 2024	96	13	1	110

14. Financial assets – other investments

	Investment in ICU Medical, Inc equity £m	Investments in early stage businesses £m	Cash collateral deposit £m	Total £m
Cost or valuation				
At 31 July 2024	**47**	**5**	**1**	**53**
Fair value change through other comprehensive income	8	–	–	8
Disposals	(55)	–	–	(55)
At 31 July 2025	**–**	**5**	**1**	**6**
Additions	–	–	1	1
Reclassified as held for sale, subsequently disposed	–	(1)	–	(1)
At 31 July 2026	**–**	**4**	**2**	**6**

The Group's investments in early-stage businesses are in businesses that are developing or commercialising related technology.

Cash collateral deposits represent amounts held on deposit with banks as security for liabilities or letters of credit or margin calls related to commodity hedging.

15. Inventories

	31 July 2026 £m	31 July 2025 £m
Raw materials and consumables	75	133
Work in progress	45	140
Finished goods	164	313
Total inventories	**284**	**586**

In FY2026, operating costs included £716m (FY2025: £1,470m) of inventory consumed, £6m (FY2025: £16m) was charged for the write-down of inventory and £4m (FY2025: £7m) was released from provisions no longer required.

Inventory provisioning

	31 July 2026 £m	31 July 2025 £m
Gross inventory carried at full value	278	505
Gross value of inventory partly or fully provided for	28	138
	306	643
Inventory provision	(22)	(57)
Inventory after provisions	**284**	**586**

16. Trade and other receivables

	31 July 2026 £m	31 July 2025 £m
Non-current		
Trade receivables	–	3
Contract assets	77	82
Other receivables	1	5
	78	**90**
Current		
Trade receivables	382	504
Prepayments	28	36
Contract assets	22	114
Other receivables	32	83
	464	**737**

Trade receivables do not carry interest. Management considers that the carrying value of trade and other receivables approximates to the fair value. Trade and other receivables, including accrued income and other receivables qualifying as financial instruments, are accounted for at amortised cost. The maximum credit exposure arising from these financial assets was £493m (FY2025: £727m).

Contract assets relate to Buyback Stock balances for John Crane's Performance Plus modular service framework contracts, where John Crane take responsibility for the maintenance of all the seals at the customer site. The main movements in the year arose from the disposal of Smiths Detection and an increase in contract asset balances of £5m (FY2025: £5m) principally within John Crane.

A number of Flex-Tek's customers provide supplier finance schemes which allow their suppliers to sell trade receivables, without recourse, to banks. This is commonly known as invoice discounting or factoring. During FY2026 the Group collected £124m of receivables through these schemes (FY2025: £70m). The impact of invoice discounting on the FY2026 balance sheet was that trade receivables were reduced by £33m (FY2025: £18m). Costs of discounting were £1m (FY2025: £1m), charged to the income statement within financing costs. The cash received via these schemes was classified as an operating cash inflow as it had arisen from operating activities.

Trade receivables are disclosed net of provisions for expected credit loss, with historical write-offs used as a basis, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and a default risk multiplier applied to reflect country risk premium. Credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third-party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. No single customer represented more than 10% of Group or divisional revenue.

Ageing of trade receivables

	31 July 2026 £m	31 July 2025 £m
Trade receivables which are not yet due	288	388
Trade receivables which are between 1-30 days overdue	41	49
Trade receivables which are between 31-60 days overdue	19	22
Trade receivables which are between 61-90 days overdue	10	13
Trade receivables which are between 91-120 days overdue	5	6
Trade receivables which are more than 120 days overdue	26	44
	389	**522**
Expected credit loss allowance provision	(7)	(15)
Trade receivables	**382**	**507**

Movement in expected credit loss allowance

	31 July 2026 £m	31 July 2025 £m
Brought forward loss allowance at the start of the period	15	29
Increase in allowance recognised in the income statement	7	8
Amounts written off or recovered during the year	(14)	(19)
Amounts reclassed to discontinued operations	(1)	(3)
Carried forward loss allowance at the end of the year	**7**	**15**

17. Trade and other payables

	31 July 2026 £m	31 July 2025 £m
Non-current		
Other payables	10	12
Contract liabilities	–	26
	10	**38**
Current		
Trade payables	159	229
Other payables	370	46
Other taxation and social security costs	16	27
Accruals	116	222
Contract liabilities	14	155
	675	**679**

Trade and other payables, including accrued expenses and other payables qualifying as financial instruments, are accounted for at amortised cost and are categorised as 'Trade and other financial payables' in note 21.

Other payables at 31 July 2026 includes a £278m (FY2025: £nil) financial liability in respect of a non-cancellable share buy back commitment and a £41m (FY2025: £nil) financial liability for shares purchased before the year end but have not yet been settled or cancelled, see note 24 for further details.

Contract liabilities comprise deferred income balances of £15m (FY2025: £181m) in respect of payments being made in advance of revenue recognition. The movement in the year arises primarily from the reclassification of the Smiths Detection business as held for sale, which was subsequently disposed of during the financial year.

18. Borrowings and net cash/(debt)

This note sets out the calculation of net cash/(debt), an important measure in explaining our financing position. Net cash/(debt) includes accrued interest and fair value adjustments relating to hedge accounting.

	31 July 2026 £m	31 July 2025 £m
Cash and cash equivalents		
Net cash and deposits	**2,956**	**195**
Short-term borrowings		
€650m 2.00% Eurobond 2027	(554)	–
Lease liabilities	(24)	(29)
Interest accrual	(9)	(3)
	(587)	**(32)**
Long-term borrowings		
€650m 2.00% Eurobond 2027	–	(556)
€650m 3.625% Eurobond 2033	(537)	–
Lease liabilities	(80)	(79)
	(617)	**(635)**
Borrowings/gross debt	**(1,204)**	**(667)**
Derivatives managing interest rate risk and currency profile of the debt	(5)	10
Net cash/(debt) (excludes £2m of net debt in discontinued operations, FY2025: excludes £21m of net cash)	**1,747**	**(462)**

Net cash for the total Group (including £2m of net debt held in discontinued operations) is £1,745m (FY2025: £441m net debt).

Analysis of financial derivatives on balance sheet

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net balance £m
Derivatives managing interest rate risk and currency profile of the debt	–	17	–	(22)	(5)
Foreign exchange forward contracts	–	3	(2)	–	1
Commodity derivatives	–	1	–	–	1
At 31 July 2026	**–**	**21**	**(2)**	**(22)**	**(3)**
Derivatives managing interest rate risk and currency profile of the debt	10	–	–	–	10
Foreign exchange forward contracts	–	7	(2)	–	5
At 31 July 2025	**10**	**7**	**(2)**	**–**	**15**

Cash and cash equivalents

	31 July 2026 £m	31 July 2025 £m
Cash at bank and in hand	100	102
Short-term deposits	2,856	93
Cash and cash equivalents	**2,956**	**195**

Cash and cash equivalents include highly liquid investments with maturities of three months or less. Borrowings are accounted for at amortised cost and are categorised as other financial liabilities. See note 19 for a maturity analysis of borrowings. Interest of £27m (FY2025: £12m) was charged to the consolidated income statement in the period in respect of public bonds.

Movements in assets/(liabilities) arising from financing activities

	Changes in net debt						
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
At 31 July 2025	**195**	**(32)**	**(635)**	**10**	**(462)**	**5**	**(457)**
Foreign exchange gains/(losses)	(11)	(2)	2	–	(11)	–	(11)
Net cash inflow from total Group	2,741	–	–	–	2,741	–	2,741
Movement in net debt items held in disposal group	31	(4)	(8)	–	19	–	19
Lease payments	–	41		–	41	–	41
Disposal of lease liabilities	–	20	20	–	40	–	40
Interest paid	–	65	–	–	65	–	65
Interest expense	–	(80)	–	–	(80)	–	(80)
Cash inflow from matured derivative contracts	–	–	–	–	–	(4)	(4)
Changes due to Proceeds from debt	–	–	(565)	–	(565)	–	(565)
Fair value movements	–	2	28	(15)	15	(6)	9
Lease liabilities acquired	–	(4)	–	–	(4)	–	(4)
Net movement from new leases and modifications	–	(52)	–	–	(52)	–	(52)
Reclassifications	–	(541)	541	–	–	–	–
At 31 July 2026	**2,956**	**(587)**	**(617)**	**(5)**	**1,747**	**(5)**	**1,742**

	Changes in net debt						
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
At 31 July 2024	**459**	**(34)**	**(625)**	**(13)**	**(213)**	**–**	**(213)**
Foreign exchange gains/(losses)	(12)	1	(11)	–	(22)	–	(22)
Net cash inflow from total Group	(221)	–	–	–	(221)	–	(221)
Reclassified to asset/liability held for sale	(31)	2	8	–	(21)	–	(21)
Lease payments	–	41	–	–	41	–	41
Interest paid	–	63	–	–	63	–	63
Interest expense	–	(71)	–	–	(71)	–	(71)
Cash inflow from matured derivative contracts	–	–	–	–		2	2
Fair value movements	–	–	(7)	23	16	3	19
Lease liabilities acquired	–	(1)	(5)	–	(6)	–	(6)
Net movement from new leases and modifications	–	(28)	–	–	(28)	–	(28)
Reclassifications	–	(5)	5	–	–	–	–
At 31 July 2025	**195**	**(32)**	**(635)**	**10**	**(462)**	**5**	**(457)**

Cash pooling

Cash and overdraft balances in interest compensation cash pooling systems are reported gross on the balance sheet. The cash pooling agreements incorporate a legally enforceable right of net settlement. However, as there is no intention to settle the balances net, these arrangements do not qualify for net presentation. At 31 July 2026 the total value of overdrafts on accounts in interest compensation cash pooling systems was £nil (FY2025: £nil). The balances held in zero balancing cash pooling arrangements have daily settlement of balances. Therefore, netting is not relevant.

Change of control

The Company has in place credit facility agreements under which a change of control would trigger prepayment clauses. The Company has two bonds in issue, the terms of which would allow bondholders to exercise put options and require the Company to buy back the bonds at their principal amount plus interest if a rating downgrade occurs at the same time as a change of control takes effect.

Lease liabilities

Lease liabilities have been measured at the present value of the remaining lease payments. The weighted average incremental borrowing rate applied to lease liabilities in FY2026 was 4.73% (FY2025: 4.69%).

19. Financial risk management

The Group's international operations and debt financing expose it to financial risks which include the effects of changes in foreign exchange rates, debt market prices, interest rates, credit risks and liquidity risks. The management of operational credit risk is discussed in note 16.

Treasury Risk Management Policy

The Board maintains a Treasury Risk Management Policy, which governs the treasury operations of the Group and its subsidiary companies and the consolidated financial risk profile to be maintained. A report on treasury activities, financial metrics and compliance with the Policy is circulated to the Chief Financial Officer each month and key elements to the Audit & Risk Committee on a semi-annual basis.

The Policy maintains a treasury control framework within which counterparty risk, financing and debt strategy, cash and liquidity, interest rate risk and currency translation management are reserved for Group Treasury, while currency transaction management is devolved to operating divisions.

Centrally directed cash management systems exist globally to manage overall liquid resources efficiently across the divisions. The Group uses financial instruments to raise financing for its global operations, to manage related interest rate and currency financial risk, and to hedge transaction risk within subsidiary companies.

The Group does not speculate in financial instruments. All financial instruments hedge existing business exposures and all are recognised on the balance sheet.

The Policy defines four treasury risk components and for each component a set of financial metrics to be measured and reported monthly against pre-agreed objectives.

1) Credit quality

The Group's strategy is to maintain a solid investment-grade rating to ensure access to the widest possible sources of financing at the right time and to optimise the resulting cost of debt capital. The credit ratings at the end of July 2026 were BBB/ Baa2 (both stable outlook) from Standard & Poor's and Moody's respectively. An essential element of an investment-grade rating is consistent and robust cash-flow metrics. The Group's objective is to maintain a net debt/headline EBITDA ratio of two times or lower over the medium term. Capital management is discussed in more detail in note 26.

2) Debt and interest rate

The Group's risk management objectives are to ensure that the majority of funding is drawn from the public debt markets, the average maturity profile of gross debt is to be at or greater than three years, and between 40-60% of gross debt (excluding leases) is at fixed rates. At 31 July 2026 these measures were 100% (FY2025: 100%), 3.9 years (FY2025: 1.6 years) and 47% (FY2025: 54%).

The Group has no financial covenants in its external debt agreements. Interest rate risk management is discussed in note 19(b).

3) Liquidity management

The Group's objective is to ensure that at any time undrawn committed facilities, net of short-term overdraft financing, are at least £300m and that committed facilities have at least 12 months to run until maturity. At 31 July 2026, these measures were £594m (FY2025: £805m) and a weighted average maturity of 45 months (FY2025: 49 months). At 31 July 2026, net cash resources were £2,956m (FY2025: £195m). Liquidity risk management is discussed in note 19(d).

4) Currency management

The Group is an international business with the majority of its net assets denominated in foreign currency. It protects the balance sheet and reserves from adverse foreign exchange movements by financing foreign currency assets where appropriate in the same currency. The Group's objective for managing transaction currency exposure is to reduce medium-term volatility to cash-flow, margins and earnings. Foreign exchange risk management is discussed in note 19(a) below.

(a) Foreign exchange risk

Transactional currency exposure

The Group is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. It is Group policy that, when the net foreign exchange exposure to known future sales and purchases is material, this exposure is hedged using forward foreign exchange contracts. The net exposure is calculated by adjusting the expected cash-flow for payments or receipts in the same currency linked to the sale or purchase. This policy minimises the risk that the profits generated from the transaction will be affected by foreign exchange movements which occur after the price has been determined. Hedge accounting documentation and effectiveness testing are only undertaken if it is cost-effective.

The following table shows the currency of financial instruments. It excludes loans and derivatives designated as net investment hedges.

At 31 July 2026	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	25	282	69	121	497
Financial instruments included in trade and other payables	(356)	(153)	(30)	(70)	(609)
Cash and cash equivalents	2,508	24	347	77	2,956
Borrowings not designated in hedge accounting relationships	(17)	(57)	(306)	(23)	(403)
	2,160	96	80	105	2,441
Exclude balances held in operations with the same functional currency	(2,167)	(142)	(35)	(91)	(2,435)
Exposure arising from intra-Group loans	–	57	(6)	(12)	39
Future forward foreign exchange contract cash-flows	25	(57)	(15)	47	–
	18	**(46)**	**24**	**49**	**45**

At 31 July 2025	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	30	395	176	143	744
Financial instruments included in trade and other payables	(58)	(221)	(96)	(107)	(482)
Cash and cash equivalents	18	99	26	52	195
Borrowings not designated in hedge accounting relationships	(24)	(51)	(11)	(22)	(108)
	(34)	222	95	66	349
Exclude balances held in operations with the same functional currency	33	(386)	(74)	28	(399)
Exposure arising from intra-Group loans	–	154	(15)	(46)	93
Future forward foreign exchange contract cash-flows	(85)	(52)	32	105	–
	(86)	**(62)**	**38**	**153**	**43**

Financial instruments included in trade and other receivables comprise trade receivables, accrued income and other receivables which qualify as financial instruments. Similarly, financial instruments included in trade and other payables comprise trade payables, accrued expenses and other payables that qualify as financial instruments.

Based on the assets and liabilities held at the year-end, if the specified currencies were to strengthen 10% while all other market rates remained constant, the change in the fair value of financial instruments not designated as net investment hedges would have the following effect:

	Impact on profit for the year FY2026 £m	**Gain/(loss) recognised in reserves FY2026 £m**	Impact on profit for the year FY2025 £m	Gain/(loss) recognised in reserves FY2025 £m
US dollar	2	3	4	2
Euro	(3)	1	(1)	(2)
Sterling	2	(1)	3	(2)

These sensitivities were calculated before adjusting for tax and exclude the effect of quasi-equity intra-Group loans.

Cash-flow hedging

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 July 2026, contracts with a nominal value of £58m (FY2025: £103m) were designated as hedging instruments. In addition, the Group had outstanding foreign currency contracts with a nominal value of £296m (FY2025: £357m) which were being used to manage transactional foreign exchange exposures, but were not accounted for as cash-flow hedges. The fair value of the contracts is disclosed in note 20.

The majority of hedged transactions will be recognised in the consolidated income statement in the same period that the cash-flows are expected to occur, with the only differences arising because of normal commercial credit terms on sales and purchases. It is the Group's policy to hedge 80% of certain exposures for the next two years and 50% of highly probable exposures for the next 12 months.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The foreign exchange forward contracts have similar critical terms to the hedged items, such as the notional amounts and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1.

The main sources of hedge ineffectiveness in these hedging relationships are the effect of the Group's and the counterparty credit risks on the fair value of the foreign exchange forward contracts, which is not reflected in the fair value of the hedged item and the risk of over-hedging where the hedge relationship requires re-balancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs. Of the foreign exchange contracts designated as hedging instruments, 100% are for periods of 12 months or less (FY2025: 100%).

The Group also has exposures to the fair values of non-derivative financial instruments such as EUR fixed rate borrowings. To manage the risk of changes in these fair values, the Group has entered into fixed-to-fixed cross-currency interest rate swaps, which for accounting purposes are designated as cash flow hedges. At 31 July 2026, the Group had designated the following hedge against the variability in future interest cash flows arising from fluctuations in market rates:

- €260m of the fixed/fixed and € exchange exposure of EUR/GBP interest rate swaps maturing on 13 November 2033 partially hedging the € 2033 Eurobond.

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £229m (FY2025: £nil) debt from fixed Euro rate to fixed Sterling rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The main source of hedge ineffectiveness in these hedging relationships is the effect of the currency basis risk and changes in yield curves on cross-currency interest rate swaps which are not reflected in the fair value of the hedged item. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness was recognised immediately in the income statement in the period in which it occurred.

The following table presents a reconciliation by risk category of the cash-flow hedge reserve and analysis of other comprehensive income in relation to hedge accounting:

		Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Brought forward cash-flow hedge reserve at start of year		1	–
Cross-currency swaps:	Net fair value losses on effective hedges	(3)	–
	Amount reclassified to income statement – finance costs	3	–
Foreign exchange forward contracts:	Net fair value gains on effective hedges	–	(2)
	Amount reclassified to income statement – finance costs	–	3
Carried forward cash-flow hedge reserve at end of year		**1**	**1**

The following tables set out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the cash-flow hedge reserve:

Hedged item	Hedged exposure	Hedging instrument	Financial year	**Changes in value of the hedged item for calculating ineffectiveness £m**	**Changes in value of the hedging instrument for calculating ineffectiveness £m**	**Cash-flow hedge reserve £m**
Bonds	Foreign currency & interest rate risk	Cross-currency swaps	FY2026	1	–	1
			FY2025	–	–	–
Sales and purchases	Foreign currency risk	Foreign exchange contracts	FY2026	–	–	–
			FY2025	(2)	2	(2)

Cash-flow hedges generated £1m of ineffectiveness in FY2026 (FY2025: £nil) which was recognised in the income statement through finance costs.

Translational currency exposure

The Group has significant investments in overseas operations, particularly in the US and Europe. As a result, the sterling value of the Group's balance sheet can be significantly affected by movements in exchange rates. The Group seeks to mitigate the effect of these translational currency exposures by matching the net investment in overseas operations with borrowings denominated in their functional currencies, except where significant adverse interest differentials or other factors would render the cost of such hedging activity uneconomic. This is achieved by borrowing primarily in the relevant currency or in some cases indirectly using cross-currency swaps.

Net investment hedges

The table below sets out the currency of loans and swap contracts designated as net investment hedges:

	At 31 July 2026			At 31 July 2025		
	US$ £m	Euro £m	Total £m	US$ £m	Euro £m	Total £m
Loans designated as net investment hedges	–	–	–	–	(296)	(296)
Cross-currency swap	(236)	–	(236)	(240)	–	(240)
	(236)	**–**	**(236)**	**(240)**	**(296)**	**(536)**

At 31 July 2026, cross-currency swaps hedged the Group's exposure to US dollars and euros (FY2025: US dollars and euros). All the cross-currency swaps designated as net investment hedges were current (FY2025: non-current). Swaps generating £236m of the US dollar exposure (FY2025: £240m) will mature in February 2027.

In addition, non-swapped borrowings, maturing in February 2027, previously used to hedge the Group's exposure to euros were de-designated following the disposal of the Detection business (FY2025: euros).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The swaps and borrowings have the same notional amount as the hedged items and, therefore, there is an economic relationship with the hedge ratio established as 1:1.

The main sources of hedge ineffectiveness in these hedging relationships are the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts which is not reflected in the fair value of the hedged item and the risk of over-hedging where the hedge relationship requires re-balancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs.

The following table presents a reconciliation by risk category of the net investment hedge reserve and analysis of other comprehensive income in relation to hedge accounting:

		Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Brought forward net investment hedge reserve at start of year		(191)	(191)
Cross-currency swaps	Net fair value gains on effective hedges	4	7
Bonds	Net fair value gains on effective hedges	(2)	(7)
Amounts removed from hedge reserve and recognised in income statement	Profit/(loss) on business disposal	106	–
Carried forward net investment hedge reserve at end of year		**(83)**	**(191)**

The following table sets out information regarding the change in value of the hedged item used in calculating hedge ineffectiveness as well as the impacts on the net investment hedge reserve as at 31 July 2026 and 31 July 2025:

Hedged item	Hedged exposure	Hedging instrument	Financial year	Changes in value of the hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Net investment hedge reserve £m
Overseas operation	Foreign currency risk	Bonds	FY2026	(4)	6	4
		Cross-currency swaps	FY2026	2	(2)	(2)
				(2)	**4**	**2**
Overseas operation	Foreign currency risk	Bonds	FY2025	7	(7)	(7)
		Cross-currency swaps	FY2025	(7)	8	7
				–	**1**	**–**

Net investment hedges generated a £2m credit of ineffectiveness in FY2026 (FY2025: £1m) which was recognised in the income statement through finance costs.

The fair values of these net investment hedges are subject to exchange rate movements. Based on the hedging instruments in place at the year-end, if the specified currencies were to strengthen 10% while all other market rates remained constant, it would have the following effect:

	Loss recognised in hedge reserve 31 July 2026 £m	Loss recognised in hedge reserve 31 July 2025 £m
US dollar	26	27
Euro	–	33

These movements would be fully offset by an opposite movement on the retranslation of the net assets of the overseas subsidiaries. These sensitivities were calculated before adjusting for tax.

(b) Interest rate risk

The Group operates an interest rate policy designed to optimise interest cost and reduce volatility in reported earnings. The Group's current policy is to require interest rates to be fixed within a band of between 40% and 60% of the level of gross debt (excluding leases). This is achieved through fixed rate borrowings and interest rate swaps. At 31 July 2026 47% (FY2025: 54%) of the Group's gross borrowings (excluding leases) were at fixed interest rates, after adjusting for interest rate swaps and the impact of short maturity derivatives designated as net investment hedges.

The Group monitors its fixed rate risk profile against both gross and net debt. For medium-term planning, it focuses on gross debt to eliminate the fluctuations of variable cash levels over the cycle. The weighted average interest rate on borrowings and cross-currency swaps at 31 July 2026, after interest rate swaps, was 4.48% (FY2025: 4.25%).

Interest rate profile of financial assets and liabilities and the fair value of borrowings

The following table shows the interest rate risk exposure of investments, cash and borrowings, with the borrowings adjusted for the impact of interest rate hedging. Other financial assets and liabilities do not earn or bear interest, and for all financial instruments except borrowings, the carrying value is not materially different from their fair value.

				As at 31 July 2026
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
Fixed interest				
Less than one year	–	–	(332)	(332)
Between one and five years	–	–	(48)	(48)
Greater than five years	–	–	(248)	(248)
Total fixed interest financial liabilities	**–**	**–**	**(628)**	**(628)**
Floating rate interest financial assets/(liabilities)	2	2,920	(576)	(588)
Total interest-bearing financial assets/(liabilities)	**2**	**2,920**	**(1,204)**	**(1,216)**
Non-interest-bearing assets in the same category	–	36	–	–
Total	**2**	**2,956**	**(1,204)**	**(1,216)**

				As at 31 July 2025
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
Fixed interest				
Less than one year	–	–	(32)	(32)
Between one and five years	–	–	(353)	(352)
Greater than five years	–	–	(27)	(27)
Total fixed interest financial liabilities	**–**	**–**	**(412)**	**(411)**
Floating rate interest financial assets/(liabilities)	1	142	(255)	(257)
Total interest-bearing financial assets/(liabilities)	**1**	**142**	**(667)**	**(668)**
Non-interest-bearing assets in the same category	–	53	–	–
Total	**1**	**195**	**(667)**	**(668)**

Interest rate hedging

The Group also has exposures to the fair values of non-derivative financial instruments such as EUR fixed rate borrowings. To manage the risk of changes in these fair values, the Group has entered into fixed-to-floating interest rate swaps and cross-currency interest rate swaps, which for accounting purposes are designated as fair value hedges.

At 31 July 2026, the Group had designated the following hedge against variability on the fair value of borrowings arising from fluctuations in base rates:

- €300m of the fixed/floating and € exchange exposure of EUR/USD interest rate swaps maturing on 23 February 2027 partially hedging the € 2027 Eurobond.
- €390m of the fixed/floating and € exchange exposure of EUR/GBP interest rate swaps maturing on 13 November 2033 partially hedging the € 2033 Eurobond.

At 31 July 2025, the Group had designated the following hedge against variability on the fair value of borrowings arising from fluctuations in base rates:

- €300m of the fixed/floating and € exchange exposure of EUR/USD interest rate swaps maturing on 23 February 2027 partially hedging the € 2027 Eurobond.

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £590m (FY2025: £259m) debt from fixed rate to floating rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the currency basis risk on cross-currency interest rate swaps which are not reflected in the fair value of the hedged item. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness was recognised immediately in the income statement in the period in which it occurred.

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 Assets £m	Carrying amount Liabilities £m	Accumulated fair value adjustments on hedged item Assets £m	Accumulated fair value adjustments on hedged item Liabilities £m
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2026	**10**	**(11)**	**–**	**590**	**–**	**(14)**
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2025	(7)	8	–	251	–	(5)

(a) Classified as borrowings.

Fair value hedges generated a £1m ineffectiveness in gain FY2026 (FY2025: £1m) which was recognised in the income statement through finance costs.

Sensitivity of interest charges to interest rate movements

The Group has exposure to sterling, US dollar and euro interest rates. Based on the composition of net debt and investments at 31 July 2026, and taking into consideration all fixed rate borrowings and interest rate swaps in place, a one percentage point (100 basis points) change in average floating interest rates for all three currencies would have a £22m impact (FY2025: £2m impact) on the Group's profit before tax.

(c) Financial credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not currently expect any counterparties to fail to meet their obligations. Credit risk is mitigated by the Board-approved policy of only placing cash deposits with highly rated relationship bank counterparties within counterparty limits established by reference to their Standard & Poor's long-term debt rating. In the normal course of business, the Group operates cash pooling systems, where a legal right of set-off applies.

The maximum credit risk exposure in the event of other parties failing to perform their obligations under financial assets, excluding trade and other receivables and derivatives, totals £2,962m at
31 July 2026 (FY2025: £201m).

	31 July 2026 £m	31 July 2025 £m
Cash in AAA liquidity funds	2,370	76
Cash at banks with at least a AA- credit rating	269	33
Cash at banks with all other A credit ratings	309	79
Cash at other banks	8	7
Investments in bank deposits	2	1
Other investments	4	5
Total	**2,962**	**201**

At 31 July 2026, the maximum exposure with a single liquidity fund for deposits and cash was £395m (FY2025: £54m), whilst the maximum mark to market exposure with a single bank or financial institution for derivatives was £3m (FY2025: £3m). This liquidity fund and bank have AAA and A+ credit ratings respectively (FY2025: Both AAA & AA- respectively).

(d) Liquidity risk

Borrowing facility

Board policy specifies the maintenance of an unused committed credit facility of at least £300m at all times to ensure that the Group has sufficient available funds for operations and planned development. The Group has a Revolving Credit Facility of US$800m maturing 5 May 2030. At the balance sheet date, the Group had the following undrawn credit facility:

	31 July 2026 £m	31 July 2025 £m
Expiring between one and two years	–	200
Expiring between three and four years	594	–
Expiring after more than four years	–	605
Total	**594**	**805**

Cash deposits

As at 31 July 2026, £2,856m (FY2025: £93m) of cash and cash equivalents was on deposit with various banks of which £2,500m (FY2025: £76m) was in liquidity funds. £2m (FY2025: £1m) of investments comprised bank deposits held to secure liabilities and letters of credit and margin call deposits related to commodity hedging.

Gross contractual cash-flows for borrowings

	As at 31 July 2026				
	Borrowings £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(565)	2	(24)	(31)	(618)
Between one and two years	–	–	(16)	(20)	(36)
Between two and three years	–	–	(13)	(20)	(33)
Between three and four years	–	–	(10)	(20)	(30)
Between four and five years	–	–	(8)	(20)	(28)
Greater than five years	(549)	12	(33)	(40)	(610)
Total	**(1,114)**	**14**	**(104)**	**(151)**	**(1,355)**

	As at 31 July 2025				
	Borrowings £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(3)	–	(29)	(11)	(43)
Between one and two years	(561)	5	(19)	(11)	(586)
Between two and three years	–	–	(14)	–	(14)
Between three and four years	–	–	(11)	–	(11)
Between four and five years	–	–	(8)	–	(8)
Greater than five years	–	–	(27)	–	(27)
Total	**(564)**	**5**	**(108)**	**(22)**	**(689)**

The figures presented in the borrowings column include the non-cash adjustments which are highlighted in the adjacent column. The contractual interest reported for borrowings is before the effect of interest rate swaps.

Gross contractual cash-flows for derivative financial instruments

	As at 31 July 2026		
	Receipts £m	Payments £m	Net cash-flow £m
Assets			
Less than one year	466	(445)	21
Greater than one year	8	(8)	–
Liabilities			
Less than one year	131	(133)	(2)
Greater than one year	607	(629)	(22)
Total	**1,212**	**(1,215)**	**(3)**

	As at 31 July 2025		
	Receipts £m	Payments £m	Net cash-flow £m
Assets			
Less than one year	238	(231)	7
Greater than one year	271	(261)	10
Liabilities			
Less than one year	208	(210)	(2)
Greater than one year	7	(7)	–
Total	**724**	**(709)**	**15**

The table above presents the undiscounted future contractual cash-flows for all derivative financial instruments. For this disclosure, cash-flows in foreign currencies are translated using the spot rates at the balance sheet date. The fair values of these financial instruments are presented in note 20.

Gross contractual cash-flows for other financial liabilities

The contractual cash-flows for financial liabilities included in trade and other payables were £599m (FY2025: £461m) due in less than one year, £10m (FY2025: £21m) due between one and five years.

(e) Commodity price risk

The Group has exposures to the price of base metals arising from business operations. To minimise its cash flow exposures to changes in commodity prices, the Group enters into derivative commodity transactions. During 2026, the Group entered into commodity futures contracts for copper, tin and zinc which had a fair value of £1m at 31 July 2026 (FY2025: £nil). The commodity hedging policy is similar to the Group FX policy, in that the Group forecasts highly probable exposures to commodities and takes out hedges within prescribed maximum and minimum levels as set out in the policy. The maximum and minimum policy bands decline gradually over time. For accounting purposes, these derivative contracts are generally not designated in hedging relationships.

Sensitivity of cost of sales to commodity price movements

Based on the composition of unhedged commodities at 31 July 2026, and taking into consideration existing hedges in place, a ten percentage point change in commodity prices for all base metals would have a £1m impact (FY2025: £nil impact) on the Group's profit before tax.

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 2026			
	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	58	–	–	–
Foreign exchange contracts (not hedge accounted)	296	3	(2)	1
Total foreign exchange contracts	**354**	**3**	**(2)**	**1**
Cross-currency swaps (fair value, net investment and cash flow hedges)	808	17	(22)	(5)
Commodity derivatives (not hedge accounted)	14	1	–	1
Total financial derivatives	**1,176**	**21**	**(24)**	**(3)**
Balance sheet entries:				
Non-current	590	–	(22)	(22)
Current	586	21	(2)	19
Total financial derivatives	**1,176**	**21**	**(24)**	**(3)**

				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
Total foreign exchange contracts	**460**	**7**	**(2)**	**5**
Cross-currency swaps (fair value and net investment)	240	10	–	10
Total financial derivatives	**700**	**17**	**(2)**	**15**
Balance sheet entries:				
Non-current	258	10	–	10
Current	442	7	(2)	5
Total financial derivatives	**700**	**17**	**(2)**	**15**

Accounting for other derivative contracts

Any foreign exchange contracts which are not formally designated as hedges and tested are classified as 'held for trading' and not hedge accounted.

Netting

International Swaps and Derivatives Association (ISDA) master netting agreements are in place with derivative counterparties except for contracts traded on a dedicated international electronic trading platform used for operational foreign exchange hedging. Under these agreements if a credit event occurs, all outstanding transactions under the ISDA are terminated and only a single net amount per counterparty is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting, since the offsetting is enforceable only if specific events occur in the future, and there is no intention to settle the contracts on a net basis.

	Assets 31 July 2026 £m	**Liabilities 31 July 2026 £m**	Assets 31 July 2025 £m	Liabilities 31 July 2025 £m
Gross value of assets and liabilities	20	(24)	17	(2)
Related assets and liabilities subject to master netting agreements	(13)	13	(2)	2
Net exposure	**7**	**(11)**	**15**	**–**

The maturity profile, average interest and foreign currency exchange rates of the hedging instruments used in the Group's hedging strategies are as follows:

Hedged exposure	Hedging instrument		Maturity at 31 July 2026 Up to one year	Maturity at 31 July 2026 More than five years	Maturity at 31 July 2025 Up to one year	Maturity at 31 July 2025 One to five years
Fair value hedges						
Interest rate/foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	254	344	–	254
		– Historical average exchange rate	0.8450	0.8808	–	0.8450
		– Average spread over three-month GBP SONIA	1.860%	1.385%	–	1.860%
Net investment hedges						
Foreign currency risk	Cross-currency swaps (GBP:USD)	– Notional amount (£m)	236	–	–	240
		– Historical average exchange rate	1.2534	–	–	1.2534
Cash-flow hedges						
Interest rate/foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	–	229	–	–
		– Historical average exchange rate	–	0.8808	–	–
		– Weighted average fixed rate	–	5.136%	–	–
Foreign currency risk	Foreign exchange contracts (USD:GBP)	– Notional amount (£m)	32	–	29	–
		– Average exchange rate	1.3415	–	1.3076	–
	Foreign exchange contracts (GBP:EUR)	– Notional amount (£m)	11	–	15	–
		– Average exchange rate	0.8819	–	0.8729	–
	Foreign exchange contracts (CZK:GBP)	– Notional amount (£m)	12	–	10	–
		– Average exchange rate	27.9025	–	29.4206	–
	Foreign exchange contracts (EUR:USD)	– Notional amount (£m)	–	–	16	–
		– Average exchange rate	–	–	0.8017	–
	Foreign exchange contracts (CHF:EUR)	– Notional amount (£m)	–	–	11	3
		– Average exchange rate	–	–	0.9240	0.9049
	Foreign exchange contracts (AED:EUR)	– Notional amount (£m)	–	–	13	–
		– Average exchange rate	–	–	4.0632	–
	Foreign exchange contracts (AUD:EUR)	– Notional amount (£m)	–	–	4	–
		– Average exchange rate	–	–	1.7473	–

At 31 July 2026, the Group had forward foreign exchange contracts with a nominal value of £58m (FY2025: £103m) designated as cash-flow hedges. These forward foreign exchange contracts are in relation to sale and purchase of multiple currencies with varying maturities up to 22 July 2027. The largest single currency pairs are disclosed above and make up 95% of the notional hedged exposure. The notional and fair values of these foreign exchange forward derivatives are shown in the nominal amount and fair value of derivative contracts table above.

21. Fair value of financial instruments

As at 31 July 2026	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
Financial assets							
Other investments	14	A	–	2	–	2	2
Other investments	14	F	–	–	4	4	4
Cash and cash equivalents	18	B	2,956	–	–	2,956	2,956
Trade and other financial receivables		B/C	497	–	–	497	497
Derivative financial instruments	20	A/C	–	21	–	21	21
Total financial assets			**3,453**	**23**	**4**	**3,480**	**3,480**
Financial liabilities							
Trade and other financial payables		B	(609)	–	–	(609)	(609)
Short-term borrowings	18	B/D	(563)	–	–	(563)	(563)
Long-term borrowings	18	D	(537)	–	–	(537)	(549)
Lease liabilities	18	E	(104)	–	–	(104)	(104)
Derivative financial instruments	20	C	–	(24)	–	(24)	(24)
Total financial liabilities			**(1,813)**	**(24)**	**–**	**(1,837)**	**(1,849)**

The fair value of a financial instrument is the price at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair values have been determined with reference to available market information at the balance sheet date, using the methodologies described below:

A Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 1 as defined by IFRS 13).

B Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 2 as defined by IFRS 13).

C Fair values of derivative financial assets and liabilities, and trade receivables held to collect or sell, are estimated by discounting expected future contractual cash-flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS 13).

As at 31 July 2025	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
Financial assets							
Other investments	14	A	–	1	–	1	1
Other investments	14	F	–	–	5	5	5
Cash and cash equivalents	18	B	195	–	–	195	195
Trade and other financial receivables		B/C	744	–	–	744	744
Derivative financial instruments	20	C	–	17	–	17	17
Total financial assets			**939**	**18**	**5**	**962**	**962**
Financial liabilities							
Trade and other financial payables		B	(468)	(14)	–	(482)	(482)
Short-term borrowings	18	B/D	(3)	–	–	(3)	(3)
Long-term borrowings	18	D	(556)	–	–	(556)	(557)
Lease liabilities	18	E	(108)	–	–	(108)	(108)
Derivative financial instruments	20	C	–	(2)	–	(2)	(2)
Total financial liabilities			**(1,135)**	**(16)**	–	**(1,151)**	**(1,152)**

D Borrowings are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of borrowings is estimated using quoted prices (Level 1 as defined by IFRS 13).

E Leases are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of the lease contract is estimated by discounting contractual future cash-flows (Level 2 as defined by IFRS 13).

F The fair value of instruments is estimated by using unobservable inputs to the extent that relevant observable inputs are not available. Unobservable inputs are developed using the best information available in the circumstances, which may include the Group's own data, taking into account all information about market participation assumptions that is reliably available (Level 3 as defined by IFRS 13).

IFRS 13 defines a three-level valuation hierarchy:

Level 1 – quoted prices for similar instruments
Level 2 – directly observable market inputs other than Level 1 inputs
Level 3 – inputs not based on observable market data

22. Commitments

At 31 July 2026, commitments, comprising bonds and guarantees arising in the normal course of business, amounted to £99m (FY2025: £180m), including pension commitments of £44m (FY2025: £44m) and charitable funding commitments for the Smiths Group Foundation of £25m (FY2025: £8m). In addition, the Group has committed expenditure on capital projects amounting to £5m (FY2025: £4m).

At 31 July 2026 the Group had provided its brokers with a non-cancellable instruction to purchase shares on the Group's behalf over the year end close period. It has been determined that this instruction has created a £278m financial liability for the present value of the redemption amount, this has been accrued for at the year end, see note 24 for further detail.

23. Provisions and contingent liabilities

	Trading	Non-headline and legacy			Total
	£m	John Crane, Inc. litigation £m	Titeflex Corporation litigation £m	Other £m	£m
At 31 July 2024	**13**	**220**	**36**	**25**	**294**
Foreign exchange rate movements	–	(6)	(1)	–	(7)
Provision charged	16	–	1	8	25
Provision released	(4)	(12)	(6)	–	(22)
Unwind of provision discount	–	8	1	–	9
Utilisation	(5)	(19)	(5)	(15)	(44)
Reclassified to liability held for sale	(1)	–	–	–	(1)
At 31 July 2025	**19**	**191**	**26**	**18**	**254**
Comprising:					
Current liabilities	12	23	7	14	56
Non-current liabilities	7	168	19	4	198
At 31 July 2025	**19**	**191**	**26**	**18**	**254**
Foreign exchange rate movements	–	(3)	–	–	(3)
Provision charged	16	–	4	6	26
Provision released	(3)	(30)	-	–	(33)
Unwind of provision discount	–	7	1	–	8
Utilisation	(2)	(12)	(2)	(4)	(20)
Reclassified to liability held for sale subsequently disposed	(27)	–	–	–	(27)
At 31 July 2026	**3**	**153**	**29**	**20**	**205**
Comprising:					
Current liabilities	–	20	9	16	45
Non-current liabilities	3	133	20	4	160
At 31 July 2026	**3**	**153**	**29**	**20**	**205**

The John Crane, Inc. and Titeflex Corporation litigation provisions were the only provisions that were discounted; other provisions have not been discounted as the impact would be immaterial.

Trading

The provisions included as trading represent amounts provided for in the ordinary course of business. Trading provisions are charged and released through headline profit.

Warranty provision and product liability

At 31 July 2026, the Group had warranty and product liability provisions of £1m (FY2025: £17m). Warranties over the Group's products typically cover periods of between one and three years. Provision is made for the likely cost of after-sales support based on the recent past experience of individual businesses.

Commercial disputes and litigation in respect of ongoing business activities

The Group has on occasion been required to take legal action to protect its intellectual property and other rights against infringement. It has also had to defend itself against proceedings brought by other parties, including product liability and insurance subrogation claims. Provision is made for any expected costs and liabilities in relation to these proceedings where appropriate, although there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will accurately predict the actual costs and liabilities that may be incurred.

Contingent liabilities

In the ordinary course of its business, the Group is subject to commercial disputes and litigation such as government price audits, product liability claims, employee disputes and other kinds of lawsuits, and faces different types of legal issues in different jurisdictions. The high level of activity in the US, for example, exposes the Group to the likelihood of various types of litigation commonplace in that country, such as ‘mass tort’ and ‘class action’ litigation, legal challenges to the scope and validity of patents, and product liability and insurance subrogation claims. These types of proceedings (or the threat of them) are also used to create pressure to encourage negotiated settlement of disputes. Any claim brought against the Group (with or without merit) could be costly to defend. These matters are inherently difficult to quantify. In appropriate cases a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction of the actual costs and liabilities that may be incurred. There are also contingent liabilities in respect of litigation for which no provisions are made.

The Group operates in some markets where the risk of unethical or corrupt behaviour is material and has procedures, including an employee ethics alert line, to help it identify potential issues. Such procedures will, from time to time, give rise to internal investigations, sometimes conducted with external support, to ensure that the Group properly understands risks and concerns and can take steps both to manage immediate issues and to improve its practices and procedures for the future. The Group is not aware of any issues which are expected to generate material financial exposures.

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:

JCI claims experience	**Year ended 31 July 2026**	Year ended 31 July 2025	Year ended 31 July 2024	Year ended 31 July 2023	Year ended 31 July 2022
Claims against JCI that have been dismissed	315,000	313,000	312,000	310,000	306,000
Claims JCI is currently a defendant in	21,000	21,000	20,000	20,000	22,000
Cumulative final judgements, after appeals, against JCI since 1979	157	157	156	154	149
Cumulative value of awards (US$m) since 1979	192	192	191	190	175

The number of claims outstanding at 31 July 2026 reflected the benefit of 2,000 (FY2025: 1,000) claims being dismissed in the year.

JCI has also incurred significant additional defence costs. The litigation involves claims for a number of allegedly asbestos-related diseases, with awards, when made, for mesothelioma tending to be larger than those for the other diseases. JCI’s ability to defend mesothelioma cases successfully is, therefore, likely to have a significant impact on its annual aggregate adverse judgement and defence costs.

John Crane, Inc. litigation provision

The provision is based on past history of JCI claims and well-established tables of asbestos-related disease incidence projections. The provision is determined using advice from asbestos valuation experts, Bates White LLC. The assumptions made in assessing the appropriate level of provision include: the period over which the expenditure can be reliably estimated; the future trend of legal costs; the rate of future claims filed; the rate of successful resolution of claims; and the average amount of judgements awarded.

Established incidence curves can be used to estimate the likely future pattern of asbestos-related disease. However, JCI’s claims experience is also significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs’ bar; changing attitudes amongst the judiciary at both trial and appellate levels in specific jurisdictions which move the balance of risk and opportunity for claimants; and legislative and procedural changes in both the state and federal court systems.

The projections use a limited time horizon on the basis that Bates White LLC consider that there is substantial uncertainty in the asbestos litigation environment. So probable expenditures are not reasonably estimable beyond this time horizon. Asbestos is the longest-running mass tort litigation in American history and is constantly evolving in ways that cannot be anticipated. JCI’s defence strategy also generates a significantly different pattern of legal costs and settlement expenses from other defendants. Thus JCI is in an extremely rare position, and evidence from other litigation cannot be used to improve the reliability of the projections. A ten-year (FY2025: ten-year) time horizon has been used based on past experience regarding significant changes in the litigation environment that have occurred every few years and on the amount of time taken in the past for some of those changes to impact the broader asbestos litigation environment.

The rate of future claims filed has been estimated using well-established tables of asbestos incidence projections to determine the likely population of potential claimants, and JCI's past experience to determine what proportion of this population will make a claim against JCI. The JCI products generally referred to in claims had industrial and marine applications. As a result, the incidence curve used for JCI projections excludes construction workers, and is a composite of the curves that predict asbestos exposure-related disease from shipyards and other occupations. This is consistent with JCI's litigation history.

The rate of successful resolution of claims and the average amount of any judgements awarded are projected based on the past history of JCI claims, since this is the best available evidence, given JCI's strategy of defending all claims.

The future trend of legal costs is estimated based on JCI's past experience, adjusted to reflect the assumed levels of claims and trial activity, since the number of trials is a key driver of legal costs.

John Crane, Inc. litigation insurance recoveries

While JCI has certain excess liability insurance, JCI has met defence costs directly. The calculation of the provision does not take account of any potential recoveries from insurers.

John Crane, Inc. litigation provision sensitivities

The provision may be subject to potentially material revision from time to time if new information becomes available as a result of future events. There can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that will be incurred because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of related litigation, including the unpredictability of jury verdicts.

John Crane, Inc. statistical reliability of projections over the ten-year time horizon

In order to evaluate the statistical reliability of the projections, a population of outcomes is modelled using randomised verdict outcomes. This generated a distribution of outcomes with future spend at the 5th percentile of £136m and future spend at the 95th percentile of £187m (FY2025: £170m and £230m, respectively). Statistical analysis of the distribution of these outcomes indicates that there is a 50% probability that the total future spend will fall between £172m and £195m (FY2025: between £214m and £242m), compared to the gross provision value of £187m (FY2025: £231m).

John Crane, Inc. litigation provision history

The JCI asbestos litigation provision of £153m (FY2025: £191m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

The JCI asbestos litigation provision has developed over the last five years as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m
John Crane, Inc. litigation provision					
Gross provision	187	231	261	246	258
Discount	(34)	(40)	(41)	(42)	(29)
Discounted pre-tax provision	**153**	**191**	**220**	**204**	**229**
Deferred tax	(37)	(46)	(54)	(51)	(57)
Discounted post-tax provision	**116**	**145**	**166**	**153**	**172**
Operating profit charge/(credit)					
(Decreased)/Increased provisions for adverse judgements and legal defence costs	(27)	(11)	28	28	24
Change in US risk-free rates	(3)	(1)	1	(15)	(18)
Subtotal – items charged to the provision	(30)	(12)	29	13	6
Litigation management, legal and professional fees in connection with litigation against insurers and defence strategy	1	–	–	2	1
Recoveries from insurers	–	(1)	(3)	(7)	–
Total operating profit (credit)/charge	**(29)**	**(13)**	**26**	**8**	**7**
Cash-flow					
Provision utilisation – legal defence costs and adverse judgements	(12)	(18)	(21)	(32)	(21)
Litigation management expense	–	–	–	(2)	(1)
Recoveries from insurers	–	1	3	7	–
Net cash outflow	**(12)**	**(17)**	**(18)**	**(27)**	**(22)**

John Crane, Inc. sensitivity of the projections to changes in the time horizon used

If the asbestos litigation environment becomes more volatile and uncertain, the time horizon over which the provision can be calculated may reduce. Conversely, if the environment became more stable, or JCI changed approach and committed to long-term settlement arrangements, the time period covered by the provision might be extended.

The projections use a ten-year time horizon. Reducing the time horizon by one year would reduce the provision by £12m (FY2025: £15m) and reducing it by five years would reduce the provision by £65m (FY2025: £85m).

We consider, after obtaining advice from Bates White LLC, that to forecast beyond ten years requires that the litigation environment remains largely unchanged with respect to the historical experience used for estimating future asbestos expenditures. Historically, the asbestos litigation environment has undergone significant changes more often than every ten years. If one assumed that the asbestos litigation environment would remain unchanged for longer and extended the time horizon by one year, it would increase the pre-tax provision by £10m (FY2025: £13m) and extending it by five years would increase the pre-tax provision by £33m (FY2025: £45m). However, there are also reasonable scenarios that, given certain recent events in the US asbestos litigation environment, would result in no additional asbestos litigation for JCI beyond ten years. At this time, how the asbestos litigation environment will evolve beyond ten years is not reasonably estimable.

John Crane, Inc. contingent liabilities
Provision has been made for future defence costs and the cost of adverse judgements expected to occur. JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. As a result, whilst the Group anticipates that asbestos litigation will continue beyond the period covered by the provision, the uncertainty surrounding the US litigation environment beyond this point is such that the costs cannot be reliably estimated.

Although the methodology used to calculate the JCI litigation provision can in theory be applied to show claims and costs for longer periods, the Directors consider, based on advice from Bates White LLC, that the level of uncertainty regarding the factors used in estimating future costs is too great to provide for reasonable estimation of the numbers of future claims, the nature of such claims or the cost to resolve them for years beyond the ten-year time horizon.

Titeflex Corporation
Titeflex Corporation, a subsidiary of the Group in the Flex-Tek business segment, has received a number of claims in the US from insurance companies seeking recompense on a subrogated basis for the effects of damage allegedly caused by lightning strikes in relation to its flexible gas piping product. It has also received product liability claims regarding this product in the US, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes. However, some claims have been settled on an individual basis without admission of liability. Equivalent third-party products in the US marketplace face similar challenges.

Titeflex Corporation litigation provision
The continuing progress of claims and the pattern of settlement, together with recent marketplace activity, provide sufficient evidence to recognise a liability in the accounts. Therefore a provision has been made for the costs which the Group is expected to incur in respect of future claims to the extent that such costs can be reliably estimated. Titeflex Corporation sells flexible gas piping with extensive installation and safety guidance designed to assure the safety of the product and minimise the risk of damage associated with lightning strikes.

The assumptions made in assessing the appropriate level of provision, which are based on past experience, include: the period over which expenditure can be reliably estimated; the number of future settlements; the average amount of settlements; and the impact of statutes of repose and safe installation initiatives on the expected number of future claims.

The provision of £29m (FY2025: £26m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

	31 July 2026 £m	31 July 2025 £m
Gross provision	63	56
Discount	(34)	(30)
Discounted pre-tax provision	**29**	**26**
Deferred tax	(7)	(6)
Discounted post-tax provision	**22**	**20**

Titeflex Corporation litigation provision history
A charge of £4m (FY2025: £5m credit) has been recognised by Titeflex Corporation in respect of changes to the estimated cost of future claims from insurance companies seeking recompense for damage allegedly caused by lightning strikes. The higher gross provision value has been principally driven by an increase in the number of claims.

Other non-headline and legacy provisions
Non-headline provisions comprise all provisions that were disclosed as non-headline items when they were charged to the consolidated income statement. Legacy provisions comprise non-material provisions relating to former business activities and discontinued operations and properties no longer used by Smiths.

These non-material provisions include non-headline reorganisation, disposal indemnities, litigation and arbitration in respect of old products and discontinued business activities. Provision is made for the best estimate of the expected expenditure related to the defence and/or resolution of such matters. There is an inherent risk in legal proceedings that the outcome may be unfavourable to the Group, and as such there can be no guarantee that such provisions (which may be subject to potentially material revision from time to time) will be sufficient.

Reorganisation
At 31 July 2026, there were reorganisation provisions of £3m (FY2025: £5m) relating to the various restructuring programmes that are expected to be utilised in the next 18 months.

Property
At 31 July 2026, there were provisions of £10m (FY2025: £7m) related to actual and potential environmental issues for sites currently or previously occupied by Smiths operations.

24. Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares of 37.5p each			
Total share capital at 31 July 2024	**345,097,794**	**130**	
Share buybacks	(15,413,491)	(6)	(303)
Total share capital at 31 July 2025	**329,684,303**	**124**	
Share buybacks	(33,877,205)	(13)	(839)
Total share capital at 31 July 2026	**295,807,098**	**111**	

Share capital structure
As at 31 July 2026, the Company's issued share capital was 295,807,098 ordinary shares with a nominal value of 37.5p per share. All of the issued share capital was in free issue and all issued shares are fully paid.

The Company's ordinary shares are listed and admitted to trading on the Main Market of the London Stock Exchange. The Company has an American Depositary Receipt (ADR) programme and one ADR equates to one ordinary share. As at 31 July 2026, 5,057,587 ordinary shares were held by the nominee of the programme in respect of the same number of ADRs in issue.

The holders of ordinary shares are entitled to receive the Company's Reports and Accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. None of the ordinary shares carry any special rights with regard to control of the Company or distributions made by the Company.

There are no known agreements relating to, or restrictions on, voting rights attached to the ordinary shares (other than the 48-hour cut-off for casting proxy votes prior to a General Meeting). There are no restrictions on the transfer of shares, and there is no requirement to obtain approval for a share transfer. There are no known arrangements under which financial rights are held by a person other than the holder of the ordinary shares. There are no known limitations on the holding of shares.

Powers of Directors
The Directors are authorised to issue and allot shares and to buy back shares subject to receiving shareholder approval at general meetings. Existing authorities to allot shares were granted at the 2025 Annual General Meeting. The current authority to make market purchases of ordinary shares was granted at the General Meeting held on 23 July 2026. At the 2026 Annual General Meeting, it will be proposed that the Directors be granted new authorities to issue and allot shares and to buy back shares.

Share buybacks
As at 9 September 2026 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 34.0 million ordinary shares (FY2025: 17.2 million). As at 9 September 2026, the Company did not hold any shares in treasury. Any ordinary shares purchased may be cancelled or held in treasury.

On 26 March 2024, the Company announced a £100m share buyback programme to purchase ordinary shares in the capital of the Company. The programme was extended to £500m, on 31 January 2025. The additional £350m commenced on 25 March 2025 and completed on 3 December 2025. During the current period, the Group purchased and cancelled 6,579,144 shares for a total consideration of £159m.

On 19 November 2025, the Group announced a new £1bn share buyback programme to commence after the completion of the previous programme. During the current period, the Group purchased and cancelled 27,298,061 shares for a total consideration of £680m. At 31 July 2026 1,561,624 shares were yet to settle and be cancelled, this has created a £41m financial liability that has been accrued for at the year end.

A further 8,928,434 ordinary shares have been repurchased during the period of 1 August 2026 to 9 September 2026. In total since the start of the £1bn Programme, 37,788,119 shares have been repurchased, for a total consideration of £951m, representing 12% of the called-up ordinary share capital outstanding at the start of the Programme.

At 31 July 2026 the Group had provided its brokers with a non-cancellable instruction to purchase shares on the Group's behalf over the year end close period. It has been determined that this instruction has created a £278m financial liability for the present value of the redemption amount, this has been accrued for at the year end.

Employment share schemes
Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights. The Company operates an Employee Benefit Trust, with an independent trustee, to hold shares pending employees becoming entitled to them under the Company's share schemes and plans. On 31 July 2026, the Trust held 1,493,880 (FY2025: 1,662,267) ordinary shares in the Company. The Trust waived its dividend entitlement on its holding during the year, and the Trust abstains from voting any shares held at General Meetings.

25. Dividends

The following dividends were declared and paid in the period:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Ordinary final dividend of 31.77p (FY2025: 30.2p) paid 21 November 2025	103	104
Ordinary interim dividend of 15.00p (FY2025: 14.23p) paid 13 May 2026	46	48
	149	**152**

In the current year a final dividend of 31.77p was paid in respect of FY2025 and an interim dividend of 15.00p was paid in respect of FY2026. In the prior year a total dividend of 44.43p was paid, comprising a final dividend of 30.2p paid in respect of FY2024 and an interim dividend of 14.23p paid in respect of FY2025.

The final dividend for the year ended 31 July 2026 of 33.5p per share was recommended by the Board on 21 September 2026 and will be paid to shareholders on 23 November 2026, subject to approval by the shareholders. This dividend is payable to all shareholders on the register of members at 6.00pm on 16 October 2026 (the record date).

Waiver of dividends

WBS Client Nominees Limited (Smiths Industries Employee Share Trust) waived all dividends payable in the year, and all future dividends, on their shareholdings in the Company.

26. Reserves

Retained earnings include the value of Smiths Group plc shares held by the Smiths Industries Employee Benefit Trust. In the year the Company issued nil (FY2025: nil) shares to the Trust, the Trust purchased 1,822,575 shares (FY2025: 1,318,518 shares) in the market for a consideration of £43m (FY2025: £23m) and redeemed 1,990,962 shares (FY2025: 1,044,561) to employees for a cumulative option cost of £2m (FY2025: £1m). At 31 July 2026, the Trust held 1,493,880 (FY2025: 1,662,267) ordinary shares.

Other reserves comprise the capital redemption reserve and merger reserve, which arose from share repurchases, revaluations of property, plant and equipment, and merger accounting for business combinations before the adoption of IFRS, respectively.

Capital management

Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, net retirement benefit-related assets and liabilities, net litigation provisions relating to non-headline items and net debt. The efficiency of the allocation of capital to the divisions is monitored through the return on capital employed (ROCE). This ratio is calculated over a rolling 12-month period and is the percentage that headline operating profit comprises of monthly average capital employed. In FY2026 ROCE for continuing operations was 23.5% (FY2025: 24.5%); see note 30.

Capital structure is based on the Directors' judgement of the balance required to maintain flexibility, whilst achieving an efficient cost of capital.

The FY2026 ratio of net cash to headline EBITDA of 3.9 (FY2025: 0.6 net debt) is within the Group's stated policy of 2.0 or less over the medium term. The Group's robust balance sheet and record of strong cash generation are more than able to fund immediate investment needs and legacy obligations. See note 30 for the definition of headline EBITDA and the calculation of this ratio.

As part of its capital management, the Group maintains a solid investment grade credit rating to ensure access to the widest possible sources of financing and to optimise the resulting cost of capital. At 31 July 2026, the Group had a credit rating of BBB/Baa2 (FY2025: BBB+/Baa2) with Standard & Poor's and Moody's respectively.

The Board has a progressive dividend policy for future payouts, with the aim of increasing dividends in line with the long-term underlying growth in earnings. In setting the level of dividend payments, the Board will take into account prevailing economic conditions and future investment plans, along with the objective to maintain a minimum dividend cover of at least two times.

Hedge reserve

The hedge reserve on the balance sheet records the cumulative gain or loss on designated hedging instruments, and comprises:

	31 July 2026 £m	31 July 2025 £m
Net investment hedge reserve	(83)	(191)
Deferred tax on net investment hedge reserve	7	7
Cashflow hedge reserve	1	1
Hedge reserve total	**(75)**	**(183)**

See transactional currency exposure risk management disclosures in note 19 for additional details of cash-flow hedges, and translational currency exposure risk management disclosure also in note 19 for additional details of net investment hedges.

Non-controlling interest

The Group has recorded non-controlling interests of £23m (FY2025: £24m), of which the most significant balance is in John Crane Japan Inc., which represented £23m (FY2025: £22m) of the total non-controlling interests.

The non-controlling interest in John Crane Japan Inc. represents a 30% interest. John Crane Japan Inc. generated operating profits of £11m in the period (FY2025: £10m), and cash inflows from operating activities of £10m (FY2025: £6m). It paid dividends of £2m (FY2025: £1m) and tax of £3m (FY2025: £2m). At 31 July 2026, the company contributed £59m (FY2025: £57m) of net assets to the Group.

27. Acquisitions

On 1 April 2026 the Group acquired 100% of the share capital of DRC Heat Transfer (DRC).

DRC is a US-based designer and manufacturer of custom heat transfer and cooling solutions and will be integrated into the Flex-Tek business to extend Flex-Tek's offering into cooling applications, adding broader thermal solutions capabilities and strengthen Flex-Tek's presence in the power generation market. The total cash consideration for this acquisition was £165m.

The acquisition was financed using the Group's own cash resources. The intangible assets recognised on acquisition comprise customer relationships, trade names and order backlog. Goodwill represents the expected synergies from the strategic fit of the acquisition and the value of the expertise in the assembled workforce.

From the date of acquisition to 31 July 2026, DRC contributed £36m to revenue and £8m to profit before taxation and amortisation. If the Group had acquired DRC at the beginning of the financial year, the acquisition would have contributed an additional £55m to revenue and £4m to profit before taxation and amortisation.

The balances at the date of acquisition have been provided in the table below. The amounts related to working capital are provisional as these have adjustments that have not been finalised as at the year end.

		Total £m
Non-current assets	– acquired intangible assets	109
	– land and buildings	1
	– plant and machinery	5
	– right of use assets	4
Current assets	– inventory	13
	– trade and other receivables	14
	– cash and cash equivalents	6
	– commodity derivatives	1
Current liabilities	– trade and other payables	(16)
Non-current liabilities	– lease liability	(4)
Net assets acquired		**133**
Goodwill on current period acquisitions		32
Total consideration		**165**

28. Discontinued operations and businesses held for sale

On 31 January 2025 Smiths Group plc announced the intention to divest of the Smiths Interconnect business in the calendar year 2025 and that Smiths Detection would be separated either by UK demerger or sale following the sale of Smiths Interconnect. For the FY2025 annual report and accounts it was concluded that the Smiths Interconnect businesses met the classification criteria for discontinued operations and held for sale, whilst Smiths Detection separation was not yet sufficiently advanced for the Smiths Detection business to be accounted for as a discontinued operation or a business held for sale or distribution to owners.

During FY2026 Smiths Group plc completed on both the sale of the Smiths Interconnect and Smiths Detection businesses. Additionally the Group has commenced a disposal programme for certain Flex-Tek's general industrial businesses, the sale of half of the businesses in this programme have completed in FY2026, the programme is anticipated to be concluded within Calendar Year 2026.

Smiths Interconnect and Smiths Detection are separate major lines of business for the Group and therefore are presented as discontinued operations, together with the Flex-Tek general industrial businesses which form part of the Group's wider strategic portfolio optimisation programme. The Flex-Tek general industrial businesses divestment project has progressed sufficiently for this disposal group to be accounted for as a business held for sale.

Discontinued operations

The financial performance of discontinued operations in the current and prior years is presented below:

	Year ended 31 July 2026			Year ended 31 July 2025		
	Headline £m	Non-headline (note3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Revenue	1,220	–	1,220	1,438	–	1,438
Operating costs	(1,011)	1,671	660	(1,246)	(64)	(1,310)
Impairment loss on held for sale reclassification	–	(11)	(11)	–	(30)	(30)
Operating profit/(loss)	**209**	**1,660**	**1,869**	**192**	**(94)**	**98**
Finance costs	1	(1)	–	(4)	(1)	(5)
Profit/(loss) before taxation	**210**	**1,659**	**1,869**	**188**	**(95)**	**93**
Taxation*	(57)	3	(54)	(55)	–	(55)
Profit/(loss) from discontinued operations	**153**	**1,662**	**1,815**	**133**	**(95)**	**38**

* The statutory ETR for discontinuing operations is 2.8% (FY2025: 59.1%) which was significantly influenced by material non-headline items in the period, principally the non-taxable gains arising on the disposal of Smiths Detection and Smiths Interconnect, which both qualify for the UK Substantial Shareholding Exemption (SSE); and non-deductible costs associated with these disposals.

Additional segmental information for discontinued operations

	Year ended 31 July 2026			
	Smiths Interconnect £m	Smiths Detection £m	Other* £m	Total £m
Revenue	244	921	55	1,220
Headline operating profit/(loss)	58	154	(3)	209
Items excluded from headline measures (note 3)	877	794	(11)	1,660
Operating profit/(loss)	**935**	**948**	**(14)**	**1,869**
Operating profit for the period is stated after charging:				
Depreciation	–	7	2	9
Amortisation	–	10	–	10
Impairment loss on held for sale reclassification	–	–	11	11
Gain on sale of discontinued operations	(877)	(807)	(6)	(1,690)
Reconciliation of headline operating profit to reported underlying headline operating profit:				
Headline operating profit/(loss)	58	154	(3)	209
IFRS 5 held for sale adjustments**	(8)	(28)	–	(36)
Reported underlying headline operating profit/(loss)**	**50**	**126**	**(3)**	**173**

	Year ended 31 July 2025			
	Smiths Interconnect £m	Smiths Detection £m	Other* £m	Total £m
Revenue	364	963	111	1,438
Headline operating profit/(loss)	80	122	(10)	192
Items excluded from headline measures (note 3)	(11)	(36)	(47)	(94)
Operating profit/(loss)	**69**	**86**	**(57)**	**98**
Operating profit for the period is stated after charging:				
Depreciation	8	19	5	32
Amortisation	3	39	1	43
Impairment loss on held for sale reclassification	–	–	30	30
Impairment of prior year working capital balances	–	–	15	15
Reconciliation of headline operating profit to reported underlying headline operating profit:				
Headline operating profit/(loss)	80	122	(10)	192
IFRS 5 held for sale adjustments**	–	–	–	–
Reported underlying headline operating profit/(loss)**	**80**	**122**	**(10)**	**192**

* The 'other' column comprises the results of certain Flex-Tek general industrial businesses and Smiths Interconnect, Inc (SII), Interconnect's US sub-systems business.

** IFRS 5 held for sale adjustments include the add back of headline amortisation/depreciation that IFRS 5 requires to be paused for businesses held for sale. Reported underlying headline operating profit/loss is a pro-forma metric that presents operating profit including these charges to aid year-on-year comparability of results

Gain on sale of discontinued operations

The sale of Smiths Interconnect completed on 31 March 2026, the sale of Smiths Detection completed on 30 June 2026, the sale of some Flex-Tek general industrial businesses completed on 8 June 2026 and the sale of SII, Interconnect's US sub-systems business completed on 1 October 2025. The effect of these disposals on the financial position of the Group is as follows:

	Smiths Interconnect £m	Smiths Detection £m	Other £m	**Total £m**
Intangible assets	276	750	–	1,026
Property, plant and equipment	53	54	4	111
Right of use assets	11	30	1	42
Financial assets	–	1	–	1
Inventories	85	332	16	433
Deferred tax assets	2	24	–	26
Current tax receivable	2	6	–	8
Trade and other receivables	71	345	16	432
Cash and cash equivalents	51	29	3	83
Financial derivatives	–	(1)	–	(1)
Lease liabilities	(10)	(27)	(3)	(40)
Trade and other payables	(75)	(348)	(11)	(434)
Current tax payable	(7)	(34)	–	(41)
Deferred tax liabilities	(5)	(32)	(1)	(38)
Retirement benefit obligations	(1)	(37)	–	(38)
Provisions	(1)	(27)	–	(28)
Net assets disposed of	**452**	**1,065**	**25**	**1,542**
Consideration received:				
Cash and cash equivalents received	1,345	1,964	19	3,328
Cash and cash equivalents deferred – due to working capital adjustments	(3)	–	3	–
Transaction costs and separation expenses	(40)	(90)	(1)	(131)
Cash and cash equivalents, net of transaction costs	**1,302**	**1,874**	**21**	**3,197**
Gain/(loss) on sale before reclassification of foreign currency translation reserve	**850**	**809**	**(4)**	**1,655**
Exchange movements recycled to the income statement	42	74	25	141
Net Investment hedge reserve recycled to the income statement	(15)	(76)	(15)	(106)
Gain on sale of discontinued operation	**877**	**807**	**6**	**1,690**

	Smiths Interconnect £m	Smiths Detection £m	Other £m	**Total £m**
Cash-flows from operating activities arising on disposal:				
Transaction costs and separation expenses paid in period	(41)	(67)	(1)	(109)
Cash-flows from investing activities arising on disposal:				
Consideration received in cash and cash equivalents	1,345	1,964	19	3,328
Less cash and cash equivalents disposed of	(51)	(29)	(3)	(83)
	1,294	**1,935**	**16**	**3,245**

Smiths Detection acquisition of Med Graphix, Inc

In August 2025, Smiths Detection completed the acquisition of 100% of the assets of Med Graphix, Inc. for consideration of £6m. The business acquisition created £6m of goodwill. The acquisition will provide repair and refurbishment services for Smiths Detection in North America.

Additional segmental information for discontinued operations

Revenue by destination for the Smiths Detection discontinued operations is analysed as follows: Americas £362m (FY2025: £395m), Europe £254m (FY2025: £243m), APAC £144m (FY2025: £172m) and ROW £162m (FY2025: £154m). Revenue by destination for the Smiths Interconnect discontinued operations is analysed as follows: Americas £109m (FY2025: £214m), Europe £51m (FY2025: £76m), APAC £82m (FY2025: £116m) and ROW £10m (FY2025: £15m).

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for discontinued operations is £28m (FY2025: £29m).

Cash-flow from discontinued operations

Cash-flow from discontinued operations, included in the consolidated cash-flow statement is as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Net cash inflow from operating activities	(13)	164
Net cash-flow used in investing activities	(30)	(29)
Net cash-flow used in financing activities*	2	(50)
Net increase in cash and cash equivalents	**(41)**	**85**
Opening cash and cash equivalents in disposal group	152	74
Foreign exchange movements	(28)	(7)
Cash and cash equivalents disposed of	**83**	**–**
Cash and cash equivalents at close of period	**–**	**152**

* Net cash-flow used in financing activities for discontinued operations includes £23m inflow (FY2025: £28m outflow) of cashflows from intragroup financing with continuing operations.

Businesses held for sale

At 31 July 2026 the remaining Flex-Tek general industrial disposal group has been classified as held for sale. The comparatives show the SII and the rest of the Smiths Interconnect disposal groups which met the held for sale criteria at 31 July 2025. The carrying value of the assets and liabilities of these disposal groups are as follows:

	31 July 2026 £m	31 July 2025 £m
Assets classified as held for sale:		
Intangible assets	–	278
Property, plant and equipment	3	43
Right of use assets	2	6
Inventories	4	74
Deferred tax assets	1	1
Current tax receivable	–	2
Trade and other receivables	3	72
Cash and cash equivalents	–	31
Assets classified as held for sale	**13**	**507**
Liabilities classified as held for sale:		
Financial liabilities - leases	(2)	(10)
Trade and other payables	(5)	(83)
Current tax payable	–	(6)
Deferred tax liabilities	–	(6)
Provisions for liabilities and charges	–	(1)
Liabilities classified as held for sale	**(7)**	**(106)**

29. Cash-flow

Cash-flow from operating activities

	Year ended 31 July 2026			Year ended 31 July 2025 – represented*		
	Headline £m	**Non-headline £m**	**Total £m**	Headline £m	Non-headline £m	Total £m
Operating profit:						
– continuing operations	399	(110)	289	388	(41)	347
– discontinued operations	209	1,660	1,869	192	(94)	98
Amortisation of intangible assets	7	39	46	25	52	77
Impairment on held for sale reclass	–	11	11	–	30	30
Depreciation of property, plant and equipment	25	1	26	43	2	45
Depreciation of right of use assets	27	–	27	34	–	34
Loss on disposal of property, plant and equipment	(1)	–	(1)	2	–	2
Gain on disposal of businesses	–	(1,690)	(1,690)	–	–	–
Disposal transaction costs and separation expenses	–	(131)	(131)	–	–	–
Share-based payment expense	17	7	24	21	–	21
Retirement benefits**	2	51	53	4	(7)	(3)
Loss on financial asset disposal	–	–	–	–	3	3
Cash flow hedge recycling	–	–	–	(2)	–	(2)
Decrease/(increase) in inventories	(57)	–	(57)	(20)	4	(16)
Decrease/(increase) in trade and other receivables	(73)	(4)	(77)	(35)	35	–
Increase/(decrease) in trade and other payables	(11)	23	12	(5)	7	2
Increase/(decrease) in provisions	12	(39)	(27)	9	(55)	(46)
Cash generated from operations	**556**	**(182)**	**374**	**656**	**(64)**	**592**
Interest paid	(65)	–	(65)	(63)	–	(63)
Interest received	40	–	40	40	–	40
Tax paid	(108)	–	(108)	(113)	–	(113)
Net cash inflow from operating activities	**423**	**(182)**	**241**	**520**	**(64)**	**456**
– continuing operations	**317**	**(63)**	**254**	**334**	**(42)**	**292**
– discontinued operations	**106**	**(119)**	**(13)**	**186**	**(22)**	**164**

* The comparatives for the year to 31 July 2025 have been represented to reflect the reclassification of the Smiths Detection and certain Flex-Tek general industrial businesses as discontinued operations

** The retirement benefits within non-headline operating activities principally relate to employer contributions to legacy defined benefit and post-retirement healthcare plans.

Headline cash measures

The Group measure of headline operating cash excludes interest and tax, and includes capital expenditure supporting organic growth. The Group uses operating cash-flow for the calculation of cash conversion and free cash-flow for management of capital purposes. See note 30 for additional details.

The table below reconciles the Group's net cash-flow from operating activities to headline operating cash-flow and free cash-flow:

	Year ended 31 July 2026			Year ended 31 July 2025		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Net cash inflow from operating activities	**423**	**(182)**	**241**	**520**	**(64)**	**456**
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(67)	–	(67)	(80)	–	(80)
Repayment of lease liabilities	(41)	–	(41)	(41)	–	(41)
Disposals of property, plant and equipment	8	–	8	–	–	–
Investment in financial assets	(1)	–	(1)	–	–	–
Transaction costs and separation-related expenses for strategic divestments	–	114	114	–	–	–
Funding of charitable foundation	–	2	2	–	1	1
Free cash-flow			**256**			**336**
Exclude:						
Investment in financial assets	1	–	1	–	–	–
Repayment of lease liabilities	41	–	41	41	–	41
Interest paid	65	–	65	63	–	63
Interest received	(40)	–	(40)	(40)	–	(40)
Tax paid	108	–	108	113	–	113
Transaction costs and separation-related expenses for strategic divestments	–	(114)	(114)	–	–	–
Funding of charitable foundation	–	(2)	(2)	–	(1)	(1)
Operating cash-flow	**497**	**(182)**	**315**	**576**	**(64)**	**512**
– continuing operations	**384**	**(63)**	**321**	**377**	**(42)**	**335**
– discontinued operations	**113**	**(119)**	**(6)**	**199**	**(22)**	**177**

Headline cash conversion – continuing operations

Headline operating cash conversion for the Group's continuing operations is calculated as follows:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Headline operating profit	399	388
Headline operating cash-flow	384	377
Headline operating cash conversion	**96%**	**97%**

Reconciliation of free cash-flow to net movement in cash and cash equivalents:

	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Free cash-flow	**256**	**336**
Disposal of financial assets	–	53
Disposal of subsidiaries – post-sale expenses	–	(12)
Disposal of businesses	3,245	–
Acquisition of businesses	(159)	(121)
Acquisition of business - discontinued operation	(6)	–
Acquisition of business - deferred consideration	(11)	–
Transaction costs and separation-related expenses for strategic divestments	(114)	–
Funding of charitable foundation	(2)	(1)
Other net cash-flows used in financing activities (note: repayment of lease liabilities is included in free cash-flow)	(468)	(476)
Net (decrease)/increase in cash and cash equivalents	**2,741**	**(221)**

30. Alternative performance measures and key performance indicators

The Group uses several alternative performance measures (APMs) in order to provide additional useful information on underlying trends and the performance and position of the Group. APMs are non-GAAP and not defined by IFRS; therefore, they may not be directly comparable with other companies' APMs and should not be considered a substitute for IFRS measures.

The Group uses these measures, which are common across the industry, for planning and reporting purposes, to enhance the comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and by credit rating agencies.

We have identified and defined the following key measures which are used within the business by management to assess the performance of the Group's businesses:

APM term	Definition and purpose
Capital employed	Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows: – To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; and – To eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of deferred tax, and net debt. It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.
Capital expenditure	Comprises additions to property, plant and equipment, capitalised development and other intangible assets, excluding assets acquired through business combinations: see note 1 for an analysis of capital expenditure. This measure quantifies the level of capital investment into ongoing operations.
Headline operating profit (HOP)	HOP comprises divisional earnings before central costs, finance costs and taxation. HOP is used to monitor divisional performance. A reconciliation of HOP to operating profit is shown in note 1.
Free cash-flow	Free cash-flow is calculated by adjusting the net cash inflow from operating activities to include capital expenditure, the repayment of lease liabilities, the proceeds from the disposal of property, plant and equipment and the investment in financial assets relating to operating activities. The measure shows cash generated by the Group before discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash-flow is shown in note 29.
Gross debt	Gross debt is total borrowings (bank, bonds and lease liabilities). It is used to provide an indication of the Group's overall level of indebtedness. See note 18 for an analysis of gross debt.
Headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This measure is used by the Group to measure and monitor performance excluding material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Headline EBITDA	EBITDA is a widely used profit measure, not defined by IFRS, being earnings before interest, taxation, depreciation and amortisation. A reconciliation of headline operating profit to headline EBITDA is shown in the note below.
Net debt	Net debt is total borrowings (bank, bonds and lease liabilities) less cash balances and derivatives used to manage the interest rate risk and currency profile of the debt. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. See note 18 for an analysis of net cash/(debt).
Non-headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This is used by the Group to measure and monitor material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Operating cash-flow	Comprises free cash-flow and excludes cash-flows relating to the repayment of lease liabilities, interest and taxation. The measure shows how cash is generated from operations in the Group. A reconciliation of operating cash-flow is shown in note 29.
Operating profit	Operating profit is earnings before finance costs and tax. A reconciliation of operating profit to profit before tax is shown on the income statement. This common measure is used by the Group to measure and monitor performance.
Return on capital employed (ROCE)	Smiths ROCE is calculated over a rolling 12-month period and is the percentage that headline operating profit represents of the monthly average capital employed on a rolling 12-month basis. This measure of return on invested resources is used to monitor performance and capital allocation within the Group. See below for Group ROCE and note 1 for divisional headline operating profit and divisional capital employed.

The key performance indicators (KPIs) used by management to assess the performance of the Group's businesses are as follows:

KPI term	Definition and purpose
Dividend cover – headline	Dividend cover is the ratio of headline earnings per share (see note 5) to dividend per share (see note 25). This commonly used measure indicates the number of times the dividend in a financial year is covered by headline earnings.
Headline Earnings per share (EPS) growth	Headline EPS growth is the growth in headline basic EPS (see note 5), on a reported basis. Headline EPS growth is used to measure and monitor performance.
Free cash-flow (as a % of operating profit)	This measure is defined as free cash-flow divided by headline operating profit averaged over a three-year performance period. This cash generation measure is used by the Group as a performance measure for remuneration purposes.
Greenhouse gas (GHG) emissions reduction	GHG reduction is calculated as the percentage change in absolute Scope 1 & 2 GHG emissions. This measure is used to monitor environmental performance.
My Say engagement score	The overall score in our My Say employee engagement survey. The biannual survey is undertaken Group-wide. This measure is used by the Group to monitor employee engagement.
Operating cash conversion	Comprises headline operating cash-flow, excluding restructuring costs, as a percentage of headline operating profit. This measure is used to show the proportion of headline operating profit converted into cash-flow from operations before investment, finance costs, non-headline items and taxation. The calculation is shown in note 29.
Operating profit margin	Operating profit margin is calculated by dividing headline operating profit by revenue. This measure is used to monitor the Group's ability to drive profitable growth and control costs.
Organic growth	Organic growth adjusts the movement in headline performance to exclude the impact of foreign exchange and acquisitions. Organic growth is used by the Group to aid comparability when monitoring performance.
Organic revenue growth (remuneration)	Organic revenue growth (remuneration) is compounded annualised growth in revenue after excluding the impact of foreign exchange and acquisitions. The measure used for remuneration differs from organic revenue growth in that it is calculated on a compounded annualised basis. This measure has historically been used by the Group for aligning remuneration with business performance.
Percentage of senior leadership positions taken by females	Percentage of senior leadership positions taken by females is calculated as the percentage of senior leadership roles (G14+ group) held by females. This measure is used by the Group to monitor diversity performance.
RD&E cash costs as a % of sales	This measure is defined as the cash cost of research, development, and customer-specific engineering activities (RD&E) as a percentage of revenue. RD&E includes capitalised RD&E, RD&E directly charged to the P&L and customer-funded projects. Innovation is an important driver of sustainable growth for the Group and this measures our investment in research and development to drive innovation.
Recordable Incident Rate (RIR)	Recordable Incident Rate is calculated as the number of recordable incidents – where an incident requires medical attention beyond first aid – per 100 colleagues, per year across Smiths. This measure is used by the Group to monitor health and safety performance.

Capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998 of £433m (FY2025: £478m), to eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of related tax, and net debt.

	Notes	31 July 2026 £m	31 July 2025 £m
Net assets		**2,605**	**2,060**
Adjust for:			
Goodwill recognised directly in reserves		433	478
Retirement benefit assets and obligations	8	48	(32)
Tax related to retirement benefit assets and obligations		(1)	18
John Crane, Inc. litigation provisions and related tax	23	116	145
Titeflex Corporation litigation provisions and related tax	23	22	20
Net (cash)/debt (excludes £2m of net debt held in discontinued operations)	18	(1,747)	441
Capital employed		**1,476**	**3,130**

Return on capital employed (ROCE)

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 £m
Headline operating profit for previous 12 months – including discontinued operations		608	580
Amortisation and depreciation paused under IFRS5		(36)	–
		572	580
Average capital employed – total Group	1	3,014	3,204
ROCE - total Group		**19.0%**	**18.1%**
Continuing Operations ROCE		**23.5%**	**24.5%**

Total Group revenue and headline operating profit

Revenue and headline operating profit for the total Smiths Group including discontinued operations is calculated as follows:

	Notes	Year ended 31 July 2026 £m	Year ended 31 July 2025 represented* £m
Revenue			
Continuing operations		1,937	1,898
Discontinued operations		1,220	1,438
Total Group		**3,157**	**3,336**
Headline operating profit			
Continuing operations		399	388
Discontinued operations		209	192
Total Group		**608**	**580**

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

Credit metrics

Smiths Group monitors the ratio of net debt to headline EBITDA as part of its management of credit ratings; see note 26 for details. This ratio is calculated as follows:

Headline earnings before interest, tax, depreciation and amortisation (headline EBITDA)

	Notes	Year ended 31 July 2026 Continuing operations £m	Year ended 31 July 2025 Total operations* £m
Headline operating profit		399	580
Exclude:			
– depreciation of property, plant and equipment		22	43
– depreciation of right of use assets		23	34
– amortisation and impairment of development costs		–	10
– amortisation of software, patents and intellectual property		3	15
Headline EBITDA		**447**	**682**

Ratio of net debt to headline EBITDA

	Notes	Year ended 31 July 2026 Continuing operations £m	Year ended 31 July 2025 Total operations* £m
Headline EBITDA		447	682
Net (cash)/debt (FY2025 includes £21m of net cash from discontinued operations)	18	(1,747)	441
Ratio of net (cash)/debt to headline EBITDA		**(3.9)**	**0.6**

* Results for the comparative period in the credit metrics tables above include discontinued operations.

31. Post balance sheet events

Details of the proposed final dividend announced since the end of the reporting period are in note 25.