

SMITHS GROUP PLC – FULL YEAR RESULTS FOR 12 MONTHS ENDED 31 JULY 2025

Pioneers of progress – engineering a better future

Strong performance, ahead of guidance, and strategic actions progressing

Delivering on our value creation strategy

- Group¹ delivered strong performance ahead of twice-raised growth guidance delivering +8.9% organic² revenue growth; +60bps organic operating profit margin expansion to 17.4%; +14.8% headline³ EPS growth; 18.1% ROCE and 99% operating cash conversion
- Continuing operations¹ delivered +7.2% organic revenue growth; 17.3% operating profit margin and 18.3% ROCE
- Disciplined capital allocation and balance sheet strength: dividend +5.1%; £398m of £500m share buyback completed to 10 September; £121m invested in accretive acquisitions; 0.6x net debt/headline EBITDA
- Progressing well with the previously outlined strategic actions to focus Smiths as a high-performance industrial engineering business, to enhance growth, improve the financial profile and deploy capital to deliver strong cashflow and returns
- Separation processes for Smiths Interconnect and Smiths Detection progressing; continue to expect an announcement on Smiths Interconnect by end of December 2025
- Acceleration Plan on track – £22m of costs incurred in FY2025, with initial benefits being delivered; expected run-rate of £40-45m of benefits for FY2027 onwards
- FY2026 outlook (continuing operations) – expect organic revenue growth of 4-6%, with continuing margin expansion; remain confident in delivering our enhanced medium-term financial targets

Headline ³	FY2025	FY2024	Reported	Organic ²
Group¹				
Group revenue	£3,336m	£3,132m	+6.5%	+8.9%
Group operating profit	£580m	£526m	+10.3%	+13.1%
Group operating profit margin ⁴	17.4%	16.8%	+60bps	+60bps
Basic EPS	121.2p	105.5p	+14.8%	
ROCE ⁴	18.1%	16.4%	+170bps	
Operating cash conversion ⁴	99%	97%	+2pps	
Continuing operations				
Revenue	£2,915m	£2,778m	+5.0%	+7.2%
Operating profit	£505m	£477m	+6.0%	+8.5%
Operating profit margin	17.3%	17.1%	+20bps	+20bps
ROCE	18.3%	n/a	-	

Statutory	FY2025	FY2024	Reported
Revenue	£2,915m	£2,778m	+5.0%
Operating profit	£410m	£369m	+11.4%
Profit for the year (after tax)	£276m	£222m	+24.3%
Basic EPS	85.7p	72.3p	+18.5%
Dividend per share	46.0p	43.75p	+5.1%

Statutory reporting and definitions

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

¹ **Group refers to Smiths Group including all four businesses; continuing operations refers to the combination of John Crane, Flex-Tek and Smiths Detection (ie excludes Smiths Interconnect) and Smiths refers to the combination of John Crane and Flex-Tek only**

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

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

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

Roland Carter, Chief Executive Officer, commented:

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

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

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

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

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).

Broadcast interview

Smiths Group plc CEO, Roland Carter, has been interviewed by business journalist Ian King on the key elements of today's results. The link is here: <https://smiths.com/investors/results-reports-and-presentations>

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About Smiths

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

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

We are united by our purpose. It is what we do, how we think, and how we will continue to use our passion for innovative engineering. 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 (the Company) and its subsidiaries (together, the Group) 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
16 October 2025	Final Ex-Dividend Date
17 October 2025	Final Dividend Record Date
19 November 2025	Q1 Trading Update and Annual General Meeting
21 November 2025	Final Dividend Payment Date

SUMMARY

We are pleased to report another year of strong financial performance, extending our track record to four consecutive years of consistent organic revenue growth averaging +7.4%. Group organic revenue grew +8.9%, with organic operating profit growth of +13.1%, a headline operating profit margin of 17.4% and headline EPS growth of +14.8%. ROCE improved significantly to 18.1% and operating cash conversion was strong at 99%. Growth was ahead of twice-raised guidance of +6-8% and operating profit margin was at the top end of the guided range of a +40-60bps expansion. We exceeded our guidance despite the uncertain macro and tariff environment, a challenging US construction market and interruption from the cyber security incident in January, with the most notable impact being in John Crane.

We deployed capital dynamically, in line with our allocation framework, investing 4.3% of revenue organically in RD&E (research, development and engineering) and inorganically, spending £121m on three margin-accretive acquisitions in Flex-Tek. Reflecting our commitment to delivering attractive returns to our shareholders, we enhanced returns to shareholders. We have executed £398m of the £500m share buyback as of 10 September and are announcing a +5.1% increase in the dividend. This represents the 74th consecutive year of dividend payments to our shareholders. Our balance sheet remains strong with net debt/headline EBITDA of 0.6x and we enter the next phase of our growth and value creation journey from a position of financial strength.

In January, we announced strategic actions designed to maximise value creation, unlock value in the portfolio and enhance returns to shareholders. The separation processes of Smiths Interconnect and Smiths Detection are progressing, with Smiths Interconnect now reported as discontinued operations.

The Acceleration Plan to deliver productivity and capability enhancements and a streamlined cost base, continues at pace, and will help support the achievement of the new enhanced medium-term financial targets that we set out in March.

Smiths is continuing to evolve, and the drivers of our success endure. Our purpose, values, culture and commitment to operational excellence are the foundations of how we operate, and we continue to invest in, develop and support our people. It is their talent and commitment that has delivered the positive results we are announcing today.

STRATEGY UPDATE

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

Smiths Interconnect and Smiths Detection separation processes

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

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

Our business model going forward

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

Our businesses are exposed to similar end market trends and are underpinned by common capabilities, resources and assets that provide competitive advantage. Supporting them is a lean corporate centre providing support and focusing on core competencies including strategy, capital allocation, M&A and

compliance. Common activities and best practice such as supply chain management, procurement, Smiths Excellence continuous improvement and global business services are coordinated across Smiths, with product development, customer focus and operational delivery sitting within the businesses.

Sustainable organic growth drivers

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

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

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

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

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

Margin expansion drivers

We also have several levers supporting our margin expansion ambitions:

- **Operating leverage** – drive a higher contribution margin as we grow revenue and build scale;
- **Acceleration Plan** – execute initiatives that deliver productivity and capability enhancements, including end-to-end process improvements and optimising operational footprint. It also targets a lean corporate centre with central costs remaining at 1.5-1.7% of revenue, following completion of the separation processes;
 - In FY2025, we saw initial benefits and remain on track to deliver £40-45m annualised benefits in FY2027 and beyond, with approximately half expected in FY2026. In the year, we incurred £22m of cost, with the remainder of the total £60-65m expected in FY2026. Around 2/3 relates to the retained businesses.
- **Operational excellence** – deliver ongoing efficiency savings and productivity improvements supported by our continuous improvement programme, Smiths Excellence; and
- **Portfolio** – capturing higher margin segments of our markets, for example a greater share of aftermarket, as well as high-grading the portfolio towards higher growth and returns.

New enhanced medium-term targets

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

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

Disciplined capital allocation

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

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

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

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

FY2026 outlook – continuing operations

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

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

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

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

FY2025 BUSINESS PERFORMANCE

Group performance versus FY2025 guidance

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

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

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

£m	FY2024	Foreign ex- change	Acquisitions	Organic movement	FY2025
Revenue (Group)	3,132	(108)	41	271	3,336
Revenue (continuing operations)	2,778	(97)	41	193	2,915

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

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

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

- John Crane's growth was led by good original equipment (OE) sales, particularly in the first half. Growth in the second half was constrained by a number of operational delivery challenges resulting from the upgrade in machining and testing capabilities and exacerbated by a longer than expected recovery from the January cyber incident. In H2, the business saw sequential quarterly improvement in performance;
- Flex-Tek delivered good growth in its construction business, despite the subdued US construction market, with continued strength in aerospace reflecting new build programmes;
- Smiths Detection's growth reflected notable strength in aviation as the airport checkpoint upgrade programmes continued, partly offset by lower revenue in Other Detection Systems;
- Smiths Interconnect's organic revenue increased strongly in the year, supported by a recovery in the semiconductor market and an improved market for connectors, especially in the faster growing aerospace and defence segments, and the benefit of new product launches.

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

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

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

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

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

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

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

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

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

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

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

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

Discontinued operations

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

CAPITAL ALLOCATION

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

Organic investment

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

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

M&A

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

Shareholder returns - share buyback and dividend

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

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

Net debt

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

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

As at 31 July 2025, Group borrowings were £677m (FY2024: £659m) comprising a €650m bond which matures in February 2027 and £118m of lease liabilities. There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 July 2025 were £226m (FY2024: £459m).

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

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

STATUTORY RESULTS

Income statement and cashflow

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

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

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

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

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

Pensions

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

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

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

Foreign exchange

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

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

Sustainability, Excellence and People combine to drive improved execution

During FY2025, our people, sustainability and Smiths Excellence functions were combined under one leadership to foster a cohesive approach and further embed them into our businesses and culture. These initiatives also support improved execution and the delivery of both our sustainability, and our medium-term financial targets. Our new 'Better Connected' newsletter was launched to amplify the effect of these combined functions. A great example of this collaborative approach was in John Crane India, where our team created a new carbide recycling process that enables this finite material to be used more efficiently, reduces pollutive waste and brings money back to the business.

We refreshed our double materiality and gap assessment to evaluate our sustainability focus areas in preparation for future reporting requirements and are making good progress. We continue proactively to manage reductions in the environmental impact of our operations and manufacturing processes and have set new targets for FY2025-2027 for supplier engagement, water, waste and biodiversity, alongside our SBTi emissions targets. During the year, we migrated to the Watershed sustainability platform to increase the accuracy of our energy, GHG, water and waste reporting and audit practices, and enable more effective modelling and targeted action.

We have made good progress in the deployment of the EcoVadis platform to align our suppliers with our efforts. By the end of the year, 28% of suppliers by spend had completed evaluation on the platform. We intend to merge all supplier onboarding processes into one ecosystem on EcoVadis.

Environmental metrics	Target FY2025-2027	FY2025
Energy reduction ¹	2% in FY2025	3.5%
Renewable electricity	80% by FY2027	74%
Scope 1 & 2 GHG ² emissions reductions ³	17.5% reduction by FY2027	9.7%
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027	28%
Normalised non-recyclable waste ⁴	5% reduction normalised to revenue	6%
Normalised water use in stressed areas ^{4,5}	5% reduction normalised to revenue	1%

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), and excludes the acquisitions of Wattco, Modular Metal and Duc-Pac

2 Scope 1, 2 and 3 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol

3 Excluding acquisitions of Wattco, Modular Metal and Duc-Pac

4 Normalised to reported revenue

5 Across 10 identified water stressed areas

Safety, alongside health and well-being, is an essential foundation of our success and our key focus is to create injury-free workplaces through continuous improvement. Our FY2025 recordable incident rate was 0.28 (FY2024: 0.44), with the improvement reflecting our enhanced targeted and sustainable preventative action. Supplementing our focus on physical safety, we also work to support colleagues' mental health and well-being. We have mental health first aiders at a number of sites and include mental health and well-being courses in our training suite. We recognise that colleagues involved in the separations of businesses may need additional support for their mental health.

Continued development of our people also underpins our success. A key achievement this year has been the continued roll-out of Smiths Excellence Fundamentals training. More than 9,000 colleagues have now completed the module, which delivers grassroots understanding of Smiths Excellence principles. We also completed deployment of our Lean programme to all sites with more than 100 colleagues.

Our people are enthusiastic about supporting our communities and our annual Smiths Day in June celebrated both our culture and our communities, with many colleagues volunteering for local causes. The Smiths Group Foundation has now made grants totalling almost £1.7m to 19 charities in 11 countries supporting STEM, safety and connectedness and environmental sustainability. To support STEM development and our own businesses in the UK, we joined the Manufacturing Technology Centre core

research programme. This provides an opportunity to collaborate closely with universities, industry leaders and cutting-edge engineers to accelerate future waves of innovation and will help us continue to grow our global competitiveness and better support our customers.

Executive Committee and Board changes

During the year, there were several changes to the Board and Executive Committee. In February, Julian Fagge was appointed as Chief Financial Officer, having formerly been President of Smiths Interconnect and Group Financial Controller, succeeding Clare Scherrer.

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

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

At Board level, Simon Pryce was appointed as a Non-executive Director in February. In August 2025, as part of its orderly succession planning, and the strategic actions progress to become a more focused Smiths, it was announced that Mark Seligman, Noel Tata and Karin Hoeing will retire from the Board at the conclusion of the AGM in November. Dame Ann Dowling will then be appointed as the Senior Independent Director.

JOHN CRANE

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

	FY2025	FY2024	Reported	Organic growth		
	£m	£m	growth	H1	H2	FY
Revenue	1,115	1,133	(1.6)%	+3.8%	+2.2%	+3.0%
Original Equipment (OE)	174	176	(1.4)%	+12.2%	(6.0)%	+2.3%
Aftermarket	528	550	(3.9)%	+0.6%	+1.8%	+1.2%
Energy	702	726	(3.3)%	+3.3%	(0.2)%	+1.4%
Original Equipment	148	145	+2.5%	+5.8%	+6.6%	+6.2%
Aftermarket	265	262	+0.7%	+4.0%	+6.6%	+5.3%
General Industrial	413	407	+1.4%	+4.6%	+6.6%	+5.6%
Headline operating profit	265	263	+1.1%	+3.9%	+8.5%	+6.3%
Headline operating profit margin	23.8%	23.2%	+60bps	+10bps	+140bps	+80bps
Statutory operating profit	264	229	+15.3%			
Return on capital employed	25.2%	25.3%	(10)bps			
RD&E¹ cash costs as % of sales	5.1%	5.2%	(10)bps			

¹ Research, development and customer-specific engineering

Revenue

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

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

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

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

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

couplings, gas filters, and nitrogen filters as part of a large-scale energy development. These solutions contribute to safer, cleaner, and more efficient operations across critical energy infrastructure.

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

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

Operating profit and ROCE

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

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

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

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

RD&E and new product development

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

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

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

FLEX-TEK

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

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

Revenue

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

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

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

Flex-Tek's energy efficient solutions for industrial applications posted flat revenue year-on-year, reflecting the phasing of heater product deliveries to support one of its larger contracts, which concludes in H1 FY2026. Flex-Tek is well placed for further industrial heating project wins, further strengthened following the acquisition of Wattco which brings manufactured process skid systems. Its products, such as certified pressure vessels, integral electric heating platforms, thermodynamic isolation module systems and steam heating support the ever-expanding clean energy and data demand opportunities. A notable recent win was a contract for the provision of electric heaters for an ultra-low carbon emissions electro-fuel project in North America.

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

Operating profit and ROCE

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

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

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

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

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

RD&E and new product development

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

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

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

SMITHS DETECTION

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

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

¹ Formerly 'Other Security Systems'

Revenue

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Revenue	859	(23)	127	963

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

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

In Aviation, organic revenue grew +23.4%, with OE growth of +27.8%, reflecting the continued strong demand for the latest range of 3D-image computed tomography (CT) machines for cabin baggage, CTiX. Smiths Detection continues to achieve a good win rate globally in aviation, and to date, has now sold c.1,800 CTiX scanners, which are the first ones to have received the 'up to two litres' re-certification in the UK and EU.

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

Smiths Detection is well positioned for the next upgrade cycle of hold baggage, expected to happen later in the decade. Smiths Detection launched the SDX 10060 XDi, based on X-ray diffraction technology, which allows highly accurate material and substance identification based on an object's molecular structure.

Smiths Detection is the first company in the aviation sector to have launched this product, which is currently pending regulatory certification. As of July 2025, four units were in operation.

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

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

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

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

Operating profit and ROCE

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

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

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

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

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

RD&E and new product development

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

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

As a result, Smiths Detection continues to maintain a leadership position in aviation security through a series of industry-first innovations. As an example in FY2025, its iCMORE APIDS (Automated Prohibited Items Detection System) software solution became the first automation platform to receive regulatory

approval for deployment in a live airport environment, with successful implementation at Schiphol Airport. This underscores the company's commitment to innovation, regulatory alignment, and operational excellence.

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

SMITHS INTERCONNECT

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

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

Revenue

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Revenue	354	(11)	78	421

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

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

Growth was broad based across all businesses, demonstrating the strength of the portfolio and the innovative product offering. There was particularly strong growth in semi-conductor test reflecting our leading market position in high performance products. Semi-test growth reflected large programme wins from major global technology customers, particularly in test products for high-speed GPU and AI semi-conductor chips, which drove revenue growth significantly above the market.

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

Operating profit and ROCE

£m	FY2024 reported	Foreign exchange	Organic movement	FY2025 reported
Headline operating profit	49	(1)	27	75
Headline operating profit margin	13.9%			17.8%

Headline operating profit increased +57.2% on an organic basis, resulting in a +390bps rise in organic operating profit margin to 17.8%. The year-on-year improvement reflected strong operational leverage, efficiency improvements and Smiths Excellence benefits, partly offset by higher employee-related costs in the light of the improved year-on-year performance. On a reported basis, headline operating profit increased +51.9% and statutory operating profit declined (23.9)%.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangibles and disposal-related costs. In addition, an impairment on disposal of £30m was recorded as a

result of an agreement to sell its US sub-systems business unit, as part of the strategic initiative to separate Smiths Interconnect. (See note 28.)

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

RD&E and new product development

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2025				Year ended 31 July 2024 – represented*			
	Notes	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
CONTINUING OPERATIONS							
Revenue	1	2,915	–	2,915	2,778	–	2,778
Operating costs	2	(2,410)	(95)	(2,505)	(2,301)	(108)	(2,409)
Operating profit/(loss)	1	505	(95)	410	477	(108)	369
Interest income	4	40	–	40	26	–	26
Interest expense	4	(71)	4	(67)	(63)	–	(63)
Other financing losses	4	–	(11)	(11)	–	(11)	(11)
Other finance income – retirement benefits	4	–	3	3	–	6	6
Finance costs	4	(31)	(4)	(35)	(37)	(5)	(42)
Profit/(loss) before taxation		474	(99)	375	440	(113)	327
Taxation	6	(119)	20	(99)	(109)	4	(105)
Profit/(loss) for the year		355	(79)	276	331	(109)	222
DISCONTINUED OPERATIONS							
Profit from discontinued operations	28	57	(41)	16	35	(6)	29
PROFIT/(LOSS) FOR THE YEAR		412	(120)	292	366	(115)	251
Profit/(loss) for the year attributable to:							
Smiths Group shareholders – continuing operations		353	(79)	274	330	(109)	221
Smiths Group shareholders – discontinued operations		57	(41)	16	35	(6)	29
Non-controlling interests		2	–	2	1	–	1
		412	(120)	292	366	(115)	251
EARNINGS PER SHARE							
Basic				85.7p			72.3p
Basic – continuing				81.0p			63.9p
Diluted				85.3p			72.0p
Diluted – continuing				80.6p			63.7p

* Results for the year ended 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
PROFIT FOR THE YEAR		292	251
Other comprehensive income (OCI)			
OCI which will not be reclassified to the income statement:			
Re-measurement of retirement benefit assets and obligations	8	(3)	(66)
Taxation on post-retirement benefit movements	6	—	17
Fair value movements on financial assets at fair value through OCI	14	8	(105)
		5	(154)
OCI which will be reclassified and reclassifications:			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		(1)	4
– reclassified to income statement on cash-flow and net investment hedges		2	—
		1	4
Foreign exchange (FX) movements:			
Exchange losses on translation of foreign operations		(35)	(33)
Total other comprehensive income, net of taxation		(29)	(183)
TOTAL COMPREHENSIVE INCOME		263	68
Attributable to:			
Smiths Group shareholders		261	68
Non-controlling interests		2	—
		263	68
Total comprehensive income attributable to Smiths Group shareholders arising from:			
Continuing operations		254	41
Discontinued operations		7	27
		261	68

* Results for the year ended 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

CONSOLIDATED BALANCE SHEET

	Notes	31 July 2025 £m	31 July 2024 £m
NON-CURRENT ASSETS			
Intangible assets	10	1,284	1,521
Property, plant and equipment	12	244	270
Right of use assets	13	99	110
Financial assets – other investments	14	6	53
Retirement benefit assets	8	128	132
Deferred tax assets	6	98	94
Trade and other receivables	16	90	96
Financial derivatives	20	10	–
		1,959	2,276
CURRENT ASSETS			
Inventories	15	586	643
Current tax receivable	6	20	24
Trade and other receivables	16	737	826
Cash and cash equivalents	18	195	459
Financial derivatives	20	7	4
Assets held for sale	28	507	–
		2,052	1,956
TOTAL ASSETS		4,011	4,232
CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(3)	(2)
Financial liabilities – lease liabilities	18	(29)	(32)
Financial liabilities – financial derivatives	20	(2)	(4)
Provisions	23	(56)	(75)
Trade and other payables	17	(679)	(764)
Current tax payable	6	(66)	(70)
Liabilities held for sale	28	(106)	–
		(941)	(947)
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings	18	(556)	(534)
Financial liabilities – lease liabilities	18	(79)	(91)
Financial liabilities – financial derivatives	20	–	(13)
Provisions	23	(198)	(219)
Retirement benefit obligations	8	(96)	(103)
Deferred tax liabilities	6	(43)	(32)
Trade and other payables	17	(38)	(41)
		(1,010)	(1,033)
TOTAL LIABILITIES		(1,951)	(1,980)
NET ASSETS		2,060	2,252
SHAREHOLDERS' EQUITY			
Share capital	24	124	130
Share premium account		365	365
Capital redemption reserve	26	31	25
Merger reserve	26	235	235
Cumulative translation adjustments		317	353
Retained earnings		1,147	1,306
Hedge reserve	26	(183)	(184)
TOTAL SHAREHOLDER'S EQUITY		2,036	2,230
Non-controlling interest equity	26	24	22
TOTAL EQUITY		2,060	2,252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2024		495	260	353	1,306	(184)	2,230	22	2,252
Profit for the year		–	–	–	290	–	290	2	292
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(3)	–	(3)	–	(3)
– FX movements net of recycling		–	–	(36)	1	–	(35)	–	(35)
– fair value gains and related tax		–	–	–	8	1	9	–	9
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

	Notes	Share capital and share premium £m	Other reserves £m	Cumulative translation adjustments £m	Retained earnings £m	Hedge reserve £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 31 July 2023		496	259	386	1,431	(188)	2,384	22	2,406
Profit for the year		–	–	–	250	–	250	1	251
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(49)	–	(49)	–	(49)
– FX movements net of recycling		–	–	(33)	1	–	(32)	(1)	(33)
– fair value gains and related tax		–	–	–	(105)	4	(101)	–	(101)
Total comprehensive income for the year		–	–	(33)	97	4	68	–	68
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(20)	–	(20)	–	(20)
Proceeds received on exercise of employee share options		–	–	–	4	–	4	–	4
Share buybacks	24	(1)	1	–	(70)	–	(70)	–	(70)
Dividends:									
– equity shareholders	25	–	–	–	(147)	–	(147)	–	(147)
Share-based payment	9	–	–	–	11	–	11	–	11
At 31 July 2024		495	260	353	1,306	(184)	2,230	22	2,252

CONSOLIDATED CASH-FLOW STATEMENT

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Net cash inflow from operating activities	29	456	418
CASH-FLOWS FROM INVESTING ACTIVITIES			
Expenditure on capitalised development		(4)	(14)
Expenditure on other intangible assets		(4)	(4)
Purchases of property, plant and equipment		(72)	(68)
Disposal of financial assets		53	190
Acquisition of businesses (net of £9m of cash acquired with businesses)		(121)	(65)
Disposal of subsidiaries – post-sale expenses		(12)	–
Net cash-flow used in investing activities		(160)	39
CASH-FLOWS FROM FINANCING ACTIVITIES			
Share buybacks	24	(303)	(70)
Purchase of shares by Employee Benefit Trust	26	(23)	(20)
Proceeds received on exercise of employee share options		1	4
Settlement of cash-settled options		(1)	(2)
Dividends paid to equity shareholders	25	(152)	(147)
Lease payments		(41)	(39)
Cash inflow from matured derivative financial instruments		2	5
Net cash-flow used in financing activities		(517)	(269)
Net (decrease)/increase in cash and cash equivalents		(221)	188
Cash and cash equivalents at beginning of year		459	285
Reclassified to assets held for sale		(31)	–
Foreign exchange rate movements		(12)	(14)
Cash and cash equivalents at end of year	18	195	459
Cash and cash equivalents at end of year comprise:			
– cash at bank and in hand		102	123
– short-term deposits		93	336
		195	459

ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with UK adopted International Accounting Standards.

The consolidated financial statements have been prepared under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities, held at fair value as described below.

Going concern

The Directors have prepared a going concern assessment, covering a period of at least 12 months from the date of approval of the financial statements, which takes into account the current financial projections and the borrowing facilities available to the Group and then applies a severe but plausible downside scenario.

This assessment is consistent with the conclusions of the Group's 'Going concern and viability statement' within the Annual Report 2025, which has been based on the Group's strategy, balance sheet and financing position, including our undrawn US\$800m committed Revolving Credit Facility which matures in May 2030 and our undrawn £200m Revolving Credit Facility which matures in June 2027. Having assessed the principal and emerging risks, especially those most relevant during the going concern assessment period, stress testing confirmed that the Group will have adequate headroom over that period.

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

Climate change

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

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures within the Annual Report 2025, and in the preparation of our Strategic Plan, which underpins our viability statement and going concern review modelling.

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

These financial statements cover the financial year from 1 August 2024 to 31 July 2025 (FY2025) with comparative figures from 1 August 2023 to 31 July 2024 (FY2024).

Key estimates and significant judgements

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

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

Sources of estimation uncertainty

Business combinations

The Group acquired three businesses during FY2025, Wattco, Inc., Modular Metal and Duc-Pac. On the acquisition of a business, the Group is required to identify specific intangible assets which are recognised separately from goodwill and then amortised over their estimated useful lives. The assumptions involved in determining the fair values for assets and liabilities acquired, including the separate identification of intangible assets, and the useful economic life of such items use management estimates and are therefore subjective.

Management engages third party specialists to assist with the valuation of acquired intangible assets. Depending on the nature of the assets the Group has used different valuation methodologies to arrive at the fair value including the excess earnings method, the relief from royalty method and the cost savings method. In FY2025, third party specialists were engaged to assist with the valuation of the Wattco, Inc. and Modular Metal acquisitions, see note 27 for further information.

Impairment reviews of intangible assets

In carrying out impairment reviews of intangible assets, a number of significant assumptions have to be made when preparing cash-flow projections to determine the value in use of the asset or cash generating unit (CGU). These include the future rate of market growth, discount rates, the market demand for the products acquired, the future profitability of acquired businesses or products, levels of reimbursement, and success in obtaining regulatory approvals. If actual results differ or changes in expectations arise, impairment charges may be required which would adversely impact operating results.

Critical estimates, and the effect of variances in these estimates, are disclosed in note 11.

Retirement benefits

Determining the value of the future defined benefit obligation involves significant estimates in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. The Group uses previous experience and independent actuarial advice to select the values for critical estimates. A portion of UK pension liabilities are insured via bulk annuity policies that match all or part of the scheme obligation to identified groups of pensioners. These assets are valued by an external qualified actuary at the actuarial valuation of the corresponding liability, reflecting this matching relationship.

The Group's principal defined benefit pension plans are in the UK and the US and these have been closed so that no future benefits are accrued. Critical estimates for these plans, and the effect of variances in these estimates, are disclosed in note 8.

Provisions for liabilities and charges

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

John Crane, Inc. (JCI), a subsidiary of the Group, is one of many co-defendants in litigation relating to products previously manufactured which contained asbestos. Provision of £191m (FY2024: £220m) has been made for the future defence costs which the Group is expected to incur and the expected costs of future adverse judgements against JCI. Whilst well-established incidence curves can be used to estimate the likely future pattern of asbestos-related disease, JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. Because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of the related litigation, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that will be incurred.

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

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

Taxation

Taxation liabilities included provisions of £35m (FY2024: £44m), the majority of which related to the risk of challenge to the geographic allocation of profits by tax authorities.

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

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

Significant judgements made in applying accounting policies

Business combinations

As stated in the previous section 'Sources of estimation uncertainty', in FY2025 the Group has applied judgement on the identification of specific intangible assets on the Wattco, Inc, Modular Metal and Duc-Pac business acquisitions, see note 27 for further information. These include items such as brand names, customer lists and non-compete agreements, to which value is first attributed at the time of acquisition. Judgement is also applied in determining the value of the acquisition consideration, where the consideration is contingent on the post-acquisition performance of the business a probability weighted expected return model is used to determine fair value.

In FY2025, appropriate professional advice has been sought on the allocation of value for the Wattco, Inc and Modular Metal acquisitions.

Retirement benefits

At 31 July 2025 the Group has recognised £128m of retirement benefit assets (FY2024: £132m) and a net pension asset of £32m (FY2024: £29m), principally relating to the Smiths Industries Pension Scheme (SIPS), which arises from the rights of the employers to recover the surplus at the end of the life of the scheme.

The recognition of this surplus is a significant judgement. There is a judgement required in determining whether an unconditional right of refund exists based on the provision of the relevant Trust deed and rules. Having taken legal advice with regard to the rights of the Company under the relevant Trust deed and rules, it has been determined that an unconditional right of refund does exist and therefore the surplus is recoverable by the Company and can be recognised.

Capitalisation of development costs

Expenditure incurred in the development of major new products is capitalised as internally generated intangible assets only when it has been judged that strict criteria are met, specifically in relation to the products' technical feasibility and commercial viability (the ability to generate probable future economic benefits).

The assessment of technical feasibility and future commercial viability of development projects requires significant judgement and the use of assumptions. Key judgements made in the assessment of future commercial viability include:

- Scope of work to achieve regulatory clearance (where required) – including the level of testing evidence and documentation;
- Competitor activity – including the impact of potential competitor product launches on the marketplace and customer demand; and
- Launch timeline – including time and resource required to establish and support the commercial launch of a new product.

Taxation

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

Presentation of the Smiths Interconnect and Smiths Detection divestments

Following the Group's announcement on the planned strategic moves to separate the Smiths Interconnect and Smiths Detection businesses, judgement is required to determine the most appropriate financial reporting treatment of these businesses and their performance.

Smiths Interconnect

Management has determined that sufficient progress has been achieved on the project to sell the Smiths Interconnect business to meet the criteria for classification as discontinued and held for sale.

The key judgement for this reclassification is that the following conditions were met at the balance sheet date:

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

Following this reclassification, the results of Smiths Interconnect are presented as profit from discontinued operations in FY2025 and FY2024 and its assets and liabilities reported in assets and liabilities held for sale in FY2025; please see note 28 for further details.

Smiths Detection

Management has determined that the progress achieved by the balance sheet date on the twin track project to divest the Smiths Detection business was not sufficient to fully meet the criteria for classification as a discontinued operation or held for sale / held for distribution to owners.

Therefore the results of Smiths Detection continue to be presented within continuing operations on the consolidated income statement and the assets and liabilities of the Smiths Detection business are not separately reported on the consolidated balance sheet.

Presentation of headline profits and organic growth

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

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

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

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

Other estimates and judgements

Revenue recognition

Revenue is recognised as the performance obligations to deliver products or services are satisfied and revenue is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligations.

Smiths Detection, Smiths Interconnect and Flex-Tek have multi-year contractual arrangements for the sale of goods and services. Where these contracts have separately identifiable components with distinct patterns of delivery and customer acceptance, revenue is accounted for separately for each identifiable component.

The Group enters into certain contracts for agreed fees that are performed across more than one accounting period and revenue is recognised over time. Estimates are required at the balance sheet date when determining the stage of completion of the contract activity. This assessment requires the expected total costs of the contract and the remaining costs to complete the contract to be estimated.

At 31 July 2025, the Group held contracts with a total value of £158m (2024: £195m), of which £114m (2024: £131m) had been delivered and £44m (2024: £64m) remains fully or partially unsatisfied. £36m of the unsatisfied amount is expected to be recognised in the coming year, with the remainder being recognised within two years. A 20% increase in the remaining cost to complete the contracts would have reduced Group revenue and operating profit in the current year by less than £7m (2024: £9m).

Significant accounting policies

Basis of consolidation

The Group's consolidated accounts include the financial statements of Smiths Group plc (the 'Company') and all entities controlled by the Company (its subsidiaries). A list of the subsidiaries of Smiths Group plc is provided within the Annual Report 2025.

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, training, software hosting and maintenance, product repairs and contracts undertaking extended warranty services.

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

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

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

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

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

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

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

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

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

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

Customer funded R&D

Customer funded R&D relates to specific contracts whereby a third party, e.g. government or commercial customer, has requested for the development of a new product and they will fund the project.

The work carried out for the customer is expensed through cost of sales. Once the performance obligations have been recognised as per IFRS 15, this is classified as revenue.

Contract costs

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

Leases

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

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

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

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

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

Taxation

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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. Tax benefits are not recognised unless it is likely that the tax positions are sustainable. Tax positions taken are then reviewed to assess whether a provision should be made based 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 and contract assets are either classified as 'held to collect' and initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for expected credit losses or as 'held to collect and sell' and measured at fair value through other comprehensive income (FVOCI).

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

Provisions

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

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

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

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

Businesses held for sale

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

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

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

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

Discontinued operations

A discontinued operation is either:

- A component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- A business acquired solely for the purpose of selling it.

Discontinued operations are presented on the income statement as a separate line and are shown net of tax.

In accordance with IAS 21, gains and losses on intra-group monetary assets and liabilities are not eliminated. Therefore foreign exchange rate movements on intercompany loans with discontinued operations are presented on the income statement as non-headline finance cost items.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

In the cash-flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet.

Financial assets

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates the designation at each reporting date. Financial assets are classified as: measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss.

Financial assets primarily include trade receivables, cash and cash equivalents (comprising cash at bank, money-market funds, and short-term deposits), short-term investments, derivatives (foreign exchange contracts and interest rate derivatives) and unlisted investments.

- Trade receivables are classified either as 'held to collect' and measured at amortised cost or as 'held to collect and sell' and measured at fair value through other comprehensive income (FVOCI). The Group may sell trade receivables due from certain customers before the due date. Any trade receivables from such customers that are not sold at the reporting date are classified as 'held to collect and sell'.
- Cash and cash equivalents (consisting of balances with banks and other financial institutions, money-market funds and short-term deposits) and short-term investments are subject to low market risk. Cash balances, short-term deposits and short-term investments are measured at amortised cost. Money market funds are measured at fair value through profit and loss (FVPL).
- Derivatives are measured at FVPL.
- Listed and unlisted investments are measured at FVOCI.
- Deferred contingent consideration are measured at FVPL.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

On initial recognition, the Group may make an irrevocable election to designate certain investments as FVOCI, if they are not held for trading or relate to contingent consideration on a business combination. When securities measured at FVOCI are sold or impaired, the accumulated fair value adjustments remain in reserves.

Financial assets are classified as current if they are expected to be realised within 12 months of the balance sheet date.

Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposures to foreign exchange and interest rates arising from its operating and financing activities.

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

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

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

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

Fair value hedge

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

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

Cash-flow hedge

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

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

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

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

Net investment hedge

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

Fair value of financial assets and liabilities

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

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

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

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

Dividends

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

New accounting standards effective 2025

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

The following amendments to IFRS were in effect during the reporting period ended 31 July 2025 that are potentially relevant to the Group, and which have not been applied in these financial statements:

- Amendment to IAS 7 and IFRS 7 – Supplier finance arrangements

Management have reviewed the supplier finance arrangements in effect around the Group and determined that there is no material impact on the consolidated financial statements or the Group's liquidity risk.

New standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 21 – Lack of Exchangeability
- Amendments to IFRS 7 and IFRS 9 – Classification and measurement of financial instruments and for Power Purchase Agreements
- IFRS 18 – Presentation and Disclosures in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The Group has yet to assess the full outcome of these new standards, amendments and interpretations, however with the exception of IFRS 18 these other new standards, amendments and interpretations are not expected to have a significant impact on the Group's financial statements. The Group intends to adopt these new standards, amendments and interpretations, if applicable, when they become effective.

Parent Company

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

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

The Company accounts are presented in separate financial statements within the Annual Report 2025. The principal subsidiaries of the Parent Company are listed in the above accounts.

NOTES TO THE ACCOUNTS

1. Segment information

Analysis by operating segment

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

- **John Crane** – mechanical seals, seal support systems, power transmission couplings and specialised filtration systems;
- **Flex-Tek** – engineered components, flexible hosing and rigid tubing that heat and move fluids and gases;
- **Smiths Detection** – sensors and systems that detect and identify explosives, narcotics, weapons, chemical agents, biohazards and contraband; and
- **Smiths Interconnect** – specialised electronic and radio frequency board-level and waveguide devices, connectors, cables, test sockets and sub-systems used in high-speed, high-reliability, secure connectivity applications.

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

Following the reclassification of the Smiths Interconnect business as a discontinued operation, the segmental information of Smiths Interconnect is disclosed in note 28.

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

Segment trading performance

Year ended 31 July 2025					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate costs £m	Total £m
Revenue	1,115	837	963	–	2,915
Segmental headline operating profit	265	164	122	–	551
Corporate headline operating costs	–	–	–	(46)	(46)
Headline operating profit/(loss)	265	164	122	(46)	505
Items excluded from headline measures (note 3)	(1)	(45)	(26)	(23)	(95)
Operating profit/(loss)	264	119	96	(69)	410
Headline operating margin	23.8%	19.5%	12.7%		17.3%

Year ended 31 July 2024 – represented*					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate costs £m	Total £m
Revenue	1,133	786	859	–	2,778
Segmental headline operating profit	263	161	102	–	526
Corporate headline operating costs	–	–	–	(49)	(49)
Headline operating profit/(loss)	263	161	102	(49)	477
Items excluded from headline measures (note 3)	(34)	(26)	(19)	(29)	(108)
Operating profit/(loss)	229	135	83	(78)	369
Headline operating margin	23.2%	20.5%	11.9%		17.1%

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

Operating profit is stated after charging the following items:

Year ended 31 July 2025					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	16	9	10	3	38
Depreciation – right of use assets	14	7	9	1	31
Amortisation – capitalised development costs	–	–	10	–	10
Amortisation of software, patents and intellectual property	4	–	9	1	14
Amortisation of acquired intangibles	–	–	–	50	50
Restructuring costs	–	–	–	22	22
Impairment – prior year working capital	–	–	–	15	15
Share-based payment	4	3	3	8	18

Year ended 31 July 2024 – represented*

	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	17	9	11	–	37
Depreciation – right of use assets	15	7	8	1	31
Amortisation – capitalised development costs	–	–	2	–	2
Amortisation of software, patents and intellectual property	1	–	1	1	3
Amortisation of acquired intangibles	–	–	–	47	47
Share-based payment	3	2	2	5	12

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation, including the allocation of costs between Smiths Interconnect and Flex-Tek.

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

Segment assets and liabilities

Segment assets

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

	31 July 2024					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, development projects, other intangibles and investments	168	103	153	65	61	550
Inventory, trade and other receivables	528	254	612	153	18	1,565
Segment assets	696	357	765	218	79	2,115

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

Segment liabilities

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

	31 July 2024					
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Segmental liabilities	202	99	398	59	—	758
Corporate and non-headline liabilities	—	—	—	—	341	341
Segment liabilities	202	99	398	59	341	1,099

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

Reconciliation of segment assets and liabilities to statutory assets and liabilities

	Assets		Liabilities	
	31 July 2025 £m	31 July 2024 £m	31 July 2025 £m	31 July 2024 £m
Segment assets and liabilities	1,854	2,115	(971)	(1,099)
Goodwill and acquired intangibles	1,192	1,404	–	–
Derivatives	17	4	(2)	(17)
Current and deferred tax	118	118	(109)	(102)
Retirement benefit assets and obligations	128	132	(96)	(103)
Cash and borrowings	195	459	(667)	(659)
Assets and liabilities held for sale	507	–	(106)	–
Statutory assets and liabilities	4,011	4,232	(1,951)	(1,980)

Segment capital expenditure

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

	John Crane £m	Flex-Tek £m	Smiths Detection £m	Corporate and non-headline £m	Total £m
Capital expenditure year ended 31 July 2025	41	13	13	–	67
Capital expenditure year ended 31 July 2024	34	10	28	3	75

Segment capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998 of £478m (FY2024: £478m) and eliminate retirement benefit assets and obligations and litigation provisions relating to non-headline items, both net of related tax, and net debt. See note 30 for a reconciliation of net assets to capital employed.

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

	31 July 2025			
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Total £m
Average segmental capital employed	1,051	689	1,079	2,819
Average capital employed – assets held for sale				447
Average corporate capital employed				(62)
Average total capital employed – continuing operations				3,204

	31 July 2024			
	John Crane £m	Flex-Tek £m	Smiths Detection £m	Total £m
Average segmental capital employed	1,035	606	1,124	2,765
Average capital employed – assets held for sale				472
Average corporate capital employed				(31)
Average total capital employed – continuing operations				3,206

The Smiths Interconnect division has been accounted for as a business held for sale. Further details of the segmental asset and liabilities of the Smiths Interconnect division is disclosed in note 28.

Analysis of revenue

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

John Crane	Original equipment £m	Aftermarket £m	Total £m
Revenue year ended 31 July 2025	322	793	1,115
Revenue year ended 31 July 2024	321	812	1,133

Flex-Tek	Aerospace £m	Industrials £m	Total £m
Revenue year ended 31 July 2025	159	678	837
Revenue year ended 31 July 2024	154	632	786

Smiths Detection	Aviation £m	Other detection systems £m	Total £m
Revenue year ended 31 July 2025	715	248	963
Revenue year ended 31 July 2024	595	264	859

John Crane aftermarket sales were £793m (FY2024: £812m) and Smiths Detection aftermarket sales were £488m (FY2024: £443m).

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

	General Industrial £m	Safety & Security £m	Energy £m	Aerospace & Defence £m	Total £m
John Crane revenue					
Revenue year ended 31 July 2025	413	—	702	—	1,115
Revenue year ended 31 July 2024	407	—	726	—	1,133

Flex-Tek revenue					
Revenue year ended 31 July 2025	678	—	—	159	837
Revenue year ended 31 July 2024	632	—	—	154	786

Smiths Detection revenue					
Revenue year ended 31 July 2025	—	963	—	—	963
Revenue year ended 31 July 2024	—	859	—	—	859

Total revenue					
Revenue year ended 31 July 2025	1,091	963	702	159	2,915
Revenue year ended 31 July 2024 – represented*	1,039	859	726	154	2,778

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

The Group's statutory revenue is analysed as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Sale of goods recognised at a point in time	2,080	1,962
Sale of goods recognised over time	10	11
Services recognised over time	825	805
	2,915	2,778

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

Analysis by geographical areas

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

	Americas £m	Europe £m	Asia Pacific £m	Rest of World £m	Total £m
Revenue year ended 31 July 2025	1,616	529	435	335	2,915
Revenue year ended 31 July 2024 – represented	1,494	541	421	322	2,778

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

31 July 2024 represented* – non-current operating assets by geographical location:

Intangible assets	1,045	462	14	–	1,521
Property, plant and equipment	162	63	29	16	270
Right of use assets	55	38	12	5	110
Other receivables	56	17	–	14	87
Non-current operating assets – restated	1,318	580	55	35	1,988

* The FRC's review of the Group's FY2024 annual report and accounts identified a small number of reporting improvement matters. Following the FRC's review, the non-current operating assets by geographical location disclosure has been represented to fully align with the disclosure requirements of IFRS 8, and the total has been restated to include non-current assets not previously reported.

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

Revenue by destination attributable to the United Kingdom was £107m (FY2024: £108m). Other revenue found to be significant included, the United States of America, totalling £1,324m (FY2024: £1,217m), China (excluding Hong Kong) £112m (FY2024: £119m) and Canada £130m (FY2024: £113m). Revenue by destination has been selected as the basis for attributing revenue to geographical areas as this was the geographic attribution of revenue used by management to review business performance.

Non-current assets located in the United Kingdom total £180m (FY2024: £171m). Significant non-current assets held in the United States of America £902m (FY2024: £1,245m) and Germany £370m (FY2024: £360m).

2. Operating costs

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

	Year ended 31 July 2025			Year ended 31 July 2024 – represented*		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Cost of sales – direct materials, labour, production and distribution overheads	1,839	–	1,839	1,742	–	1,742
Selling costs	194	–	194	200	–	200
Administrative expenses	379	95	474	361	108	469
Research and development tax credits	(2)	–	(2)	(2)	–	(2)
Total	2,410	95	2,505	2,301	108	2,409

Operating profit is stated after charging:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Research, development and customer-specific engineering expense	96	94
Depreciation of property, plant and equipment	38	37
Depreciation of right of use assets	31	31
Amortisation of intangible assets	74	53

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation and the changes in definition of research, development and customer-specific engineering (RD&E) which is defined in note 30 of the accounts.

RD&E cash costs were £117m (FY2024: £128m) comprising £96m (FY2024: £94m) of RD&E expensed to the income statement, £4m (FY2024: £14m) of capitalised costs and £17m (FY2024: £20m) of customer-funded R&D.

Administrative expenses include £1m (FY2024: £1m) in respect of lease payments for short-term and low-value leases which were not included within right of use assets and lease liabilities.

Auditors' remuneration

The following fees were paid or are payable to the Company's auditors, KPMG LLP and other firms in the KPMG network, for the year ended 31 July 2025.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
AUDIT SERVICES		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	2.5	2.8
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	3.5	3.6
	6.0	6.4
Audit related assurance services (i)	2.1	0.4
Other assurance services (ii)	0.2	0.1
Total fees	8.3	6.9

(i) Audit related assurance services includes £0.4m (FY2024: £0.4m) for review of interim report and £1.7m (FY2024: £nil) for services delivered in FY2025 related to the reporting accountant engagement in respect of the historical financial information of the Detection business of the Group. This engagement is required by regulation and supports the Company in fulfilling its legal obligations under UK law. Accordingly, the related fees have been excluded from the calculation of non-audit services as a percentage of audit fees calculated below.

(ii) Other assurance services include £0.1m (FY2024: £0.1m) for limited assurance over the Group's Scope 1–3 greenhouse gas emissions metrics and £0.1m (FY2024: nil) for services related to the reestablishment of the Euro Medium Term Note (EMTN) programme.

Total fees for non-audit services comprise 10% (FY2024: 8%) of audit fees, as noted above in FY2025 £1.7m of reporting accountant services have been excluded from the calculation of this ratio.

3. Non-statutory profit measures

Headline profit measures

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

Non-headline operating profit items

i. Continuing operations

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Acquisition and disposal related costs			
Detection separation costs		(10)	–
Post-acquisition integration costs and fair value adjustment unwind		(4)	(3)
Fair value movement on contingent consideration		4	(13)
Loss on disposal of financial asset		(3)	(9)
Business acquisition costs and related expenses		(2)	(4)
Legacy pension scheme arrangements			
Scheme administration costs	8	(4)	(6)
Past service costs for benefit equalisation	8	–	(4)
Non-headline provision movements			
Environmental remediation provision		(2)	–
Provision held against Titeflex Corporation subrogation claims	23	5	5
Provision for John Crane, Inc. asbestos litigation	23	12	(29)
Cost recovery for John Crane, Inc. asbestos litigation		1	3
Other items			
Corporate restructuring costs		(22)	–
Impairment of prior year working capital balances		(15)	–
Cyber incident remediation costs		(4)	–
Amortisation of acquired intangible assets	10	(50)	(47)
Funding of charitable foundation		(1)	(1)
Non-headline items in operating profit – continuing operations		(95)	(108)

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

Acquisition and disposal related costs

Detection separation costs amounted to £10m (FY2024: £nil); this represents the incremental costs incurred by the Group to demerge/sell the Smiths Detection business. These costs have been reported as non-headline as the total cost of the project is both material and non-recurring.

The £4m (FY2024: £3m) of post-acquisition integration costs and fair value adjustment unwind principally relate to Flex-Tek's recent corporate acquisitions. These include £2m of defined project costs for the integration of these businesses into the existing Flex-Tek business and a £2m expense for unwinding the acquisition balance sheet fair value adjustments required by IFRS 3 'Business combinations'. These have been recognised as non-headline as the charge did not relate to trading activity.

The £4m current year fair value gain on contingent consideration is attributable to the revaluation of deferred contingent consideration payable on Flex-Tek's recent acquisitions. The prior year £13m loss related to the write down of the remaining fair value of the Group's contingent consideration from the sale of Smiths Medical. These are considered to be a non-headline item on the basis that these fair value charges do not relate to trading activity.

The £3m loss (FY2024: £9m) on disposal of financial asset relates to the block sale discount on the disposal of the Group's remaining investment in ICU shares. This is considered a non-headline charge as it did not relate to trading activity.

The £2m (FY2024: £4m) of business acquisition costs and related expenses represent incremental deal costs related to the Group's business acquisition activity. These items do not include the cost of employees working on transactions and are reported as non-headline because they are dependent on the level of activity being undertaken and do not relate to trading activity.

Legacy pension scheme arrangements

Scheme administration costs of £4m (FY2024: £6m) relate to the TIGPS legacy pension scheme and SIPS 'path to buy-in' costs. As the Group is not anticipating receiving a refund from the scheme, an economic benefit value of zero has been placed on the TIGPS surplus. These are non-headline charges as the Smiths Group effectively has no economic exposure to these costs and they are paid from cash retained in the scheme.

The prior year £4m credit for past service costs for benefit equalisation represents the recognition of additional Smith Industries Pension Scheme (SIPS) liabilities following the agreement of new methodologies to achieve Guaranteed Minimum Pension (GMP) equalisation retirement benefits for men and women.

Non-headline provision movements

In the current year a £2m (FY2024: £nil) environmental provision has been raised for the present value of the costs that the Group's Flex-Tek division is required to incur to remediate a legacy environment contamination at one of its US sites. The provision made in the current year on the receipt of a reliable estimate of the amount of the obligation. The provision is considered to be non-headline as it is due to a legacy site contamination, that arose prior to the Smiths Group ownership, and do not relate to current trading activity.

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

- The £5m credit (FY2024: £5m credit) recognised by Titeflex Corporation was principally driven by a reduction in the number of expected claims. See note 23 for further details; and
- The £12m credit (FY2024: £29m charge) in respect of John Crane, Inc. asbestos litigation is due to a reduction in the future expected indemnity costs. See note 23 for further details; and
- In FY2025 £1m (FY2024: £3m) of asbestos litigation costs were recovered by John Crane, Inc. via insurer settlements.

Other items

Corporate restructuring costs of £22m (FY2024: £nil) were incurred on the previously announced Group-wide Acceleration Plan. These costs are treated as non-headline due to being material and part of a pre-approved two year programme.

Following a balance sheet investigation at a stand-alone Flex-Tek US industrial business, certain non-material working capital balances were identified as overstated and have been impaired. A £15m impairment charge has been recognised, in FY2025, against working capital balances in relation to matters relating to prior years. It has been recognised as a non-headline item as the charge is a significant non-recurring item that relates to multiple prior years.

At the end of January 2025 the Group incurred a cyber security incident that involved unauthorised access to the Company's systems. £4m of remediation costs have been incurred in the current year, these have been recognised as non-headline as this was a significant non-recurring event for the Group and did not relate to trading activity.

Acquisition related intangible asset amortisation costs of £50m (FY2024: £47m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

The £1m funding of charitable foundation charge is the FY2025 funding (FY2024: £1m) of the Smiths Group Foundation, a charitable giving foundation with a committed initial £10m of funding linked to engineering-related good causes. This is recognised as non-headline as the charge did not relate to trading activity.

Non-headline finance costs items

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented £m
Unwind of discount on provisions	23	(9)	(9)
Unwind of discount on other payables		(1)	–
Other finance income – retirement benefits	8	3	6
Release of interest payment on overdue VAT		4	–
Other sundry financing losses		(1)	(2)
Non-headline items in finance costs – continuing operations		(4)	(5)
Continuing operations – non-headline loss before taxation		(99)	(113)

The financing elements of non-headline legacy liabilities, including the £10m (FY2024: £9m) unwind of discount on provisions, were excluded from headline finance costs because these provisions were originally recognised as non-headline and this treatment has been maintained for ongoing costs and credits.

Other finance income comprises £3m (FY2024: £6m) of financing credits relating to retirement benefits. These were excluded from headline finance costs because the ongoing costs and credits are a legacy of previous employee pension arrangements.

The £4m release of interest payable on overdue VAT relates to a historic classification error on chain export transactions.

Non-headline taxation credit

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented £m
Tax credit on non-headline loss	6	23	23
Increase in unrecognised UK deferred tax asset	6	(3)	(19)
Non-headline taxation credit – continuing operations		20	4
Continuing operations – non-headline loss for the year		(79)	(109)

Movement in unrecognised UK deferred tax asset

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

ii. Discontinued operations

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Impairment loss on reclassification to held for sale		(30)	–
Interconnect separation costs		(8)	–
Amortisation of acquisition related intangible assets		(2)	(2)
Business acquisition costs and related expenses		–	(1)
Tax on non-headline loss		(1)	(3)
Non-headline items in profit – discontinued operations		(41)	(6)
Loss for the year – non headline items for continuing and discontinued operations		(120)	(115)

In June 2025 Interconnect agreed to sell its US sub-systems business. The business has been reclassified as held for sale and the £37m carrying value of its net assets have been impaired to their fair value less costs to sell of £7m. This has resulted in a £30m impairment loss being recognised.

Interconnect separation costs amounted to £8m (FY2024: £nil); this represents the incremental costs incurred by the Group to sell the Smiths Interconnect business. These costs have been reported as non-headline as they were both material and non-recurring.

Acquisition related intangible asset amortisation costs of £2m (FY2024: £2m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

4. Net finance costs

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Interest income		40	26
Interest expense:			
– bank loans and overdrafts, including associated fees		(52)	(46)
– other loans		(12)	(12)
– interest on leases		(6)	(5)
– interest on uncertain tax provisions		(1)	–
Interest expense		(71)	(63)
Headline net finance costs		(31)	(37)
Other financing (losses)/gains:			
– valuation movements on fair value hedged debt		(13)	5
– valuation movements on fair value derivatives		15	(5)
– foreign exchange and ineffectiveness on net investment hedges		(3)	(2)
– unwind of discount on provisions and other payables	3	(10)	(9)
Other financing losses		(11)	(11)
Other non-headline finance cost items:			
– release of interest payment on overdue VAT		4	–
– other finance income – Interest on retirement benefits	8	3	6
Other non-headline finance cost items		7	6
Net finance costs		(35)	(42)

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

5. Earnings per share

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Profit attributable to equity shareholders for the year:		
– continuing	274	221
– discontinued	16	29
Total	290	250

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

	Year ended 31 July 2025 Number of shares	Year ended 31 July 2024 represented* Number of shares
Number of shares in issue, net of shares held in Employee Benefit Trust:		
Weighted average number for basic earnings per share	338,390,299	345,901,957
Adjustment for potentially dilutive shares	1,576,039	1,389,223
Weighted average number for diluted earnings per share	339,966,338	347,291,180

Nil options (FY2024: nil) were excluded from this calculation because their effect was anti-dilutive.

	Year ended 31 July 2025 pence	Year ended 31 July 2024 represented* pence
Statutory earnings per share total – basic	85.7p	72.3p
Statutory earnings per share total – diluted	85.3p	72.0p
Statutory earnings per share continuing operations – basic	81.0p	63.9p
Statutory earnings per share continuing operations – diluted	80.6p	63.7p

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

	Year ended 31 July 2025			Year ended 31 July 2024 represented		
	£m	Basic EPS (p)	Diluted EPS (p)	£m	Basic EPS (p)	Diluted EPS (p)
Total profit attributable to equity shareholders of the Parent Company	290	85.7p	85.3p	250	72.3p	72.0p
Exclude: Non-headline items (note 3)	120			115		
Headline earnings per share	410	121.2p	120.6p	365	105.5p	105.2p
Profit from continuing operations attributable to equity shareholders of the Parent Company	274	81.0p	80.6p	221	63.9p	63.7p
Exclude: Non-headline items (note 3)	79			109		
Headline earnings per share – continuing operations	353	104.3p	103.8p	330	95.4p	95.1p

6. Taxation

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
The taxation charge in the consolidated income statement for the year comprises:		
Continuing operations		
Current taxation:		
– current income tax charge	98	101
– current tax adjustments in respect of prior periods	–	2
Current taxation	98	103
Deferred taxation	1	2
Total taxation expense – continuing operations	99	105
Discontinued operations		
Current taxation:		
– current income tax charge	19	12
– deferred taxation	–	4
Total taxation expense – discontinued operations	19	16
Analysed as:		
Headline taxation expense	137	122
Non-headline taxation credit	(19)	(1)
Total taxation expense in the consolidated income statement	118	121

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Tax on items credited to equity		
Deferred tax:		
– share based payments	(1)	–
– retirement benefit schemes	–	(17)
Taxation on retirement benefit movements	(1)	(17)

The FY2024: £17m credit to equity for retirement benefit schemes principally related to UK retirement schemes.

Current taxation liabilities

	Current tax £m
At 31 July 2023	(30)
Charge to income statement	(115)
Tax paid	99
At 31 July 2024	(46)
Comprising:	
Current tax receivable	24
Current tax payable within one year	(70)
At 31 July 2024	(46)
Charge to income statement – continuing operations	(98)
Charge to income statement – discontinued operations	(19)
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)

Total provisions for tax liabilities amount to £35m of which £30m relates to current tax (FY2024: total £44m, current tax £39m). The majority of which relates to the risk of challenge from tax authorities to the geographic allocation of profits across the Group.

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

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

Reconciliation of the tax charge

The headline tax charge for the year of £119m (FY2024: £109m) represents an effective rate of 25.0% (FY2024: 25.0%).

The tax charge on the profit for the year for continuing operations is different from the standard rate of corporation tax in the UK, with a rate for FY2025 of 25.0% (FY2024: 25.0%). The differences are reconciled as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Profit before taxation	375	327
Notional taxation expense at UK corporate rate of 25.0% (FY2024: 25%)	94	82
Different tax rates on non-UK profits and losses	(6)	(5)
Non-deductible expenses and other charges	21	19
Tax credits and non-taxable income	(10)	(6)
Non-headline UK deferred tax asset recognition adjustment	3	19
Other adjustments to unrecognised deferred tax	(5)	(6)
Prior year true-up	2	2
Taxation on continuing operations	99	105
Taxation on discontinued operations	19	16
Total taxation expense in the consolidated income statement	118	121
Comprising:		
Taxation on headline profit	119	109
Non-headline taxation items:		
– Tax credit on non-headline loss	(23)	(23)
– UK deferred tax asset recognition adjustment	3	19
Taxation on non-headline items	(20)	(4)
Taxation on discontinued operations	19	16
Total taxation expense in the consolidated income statement	118	121

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 2023	(86)	(25)	75	66	22	52
Reallocations	(9)	(1)	5	–	5	–
Charge to income statement – continuing operations	16	(2)	(15)	4	(9)	(6)
Charge to income statement – discontinued operations						
Credit to equity	–	17	–	–	–	17
Foreign exchange rate movements	–	(1)	–	1	(1)	(1)
At 31 July 2024	(79)	(12)	65	71	17	62
Comprising:						
Deferred tax assets	(9)	(15)	31	63	24	94
Deferred tax liabilities	(70)	3	34	8	(7)	(32)
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)
Transfer to 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

Of the amounts included within 'Other', shown in the above table, as at 31 July 2025, amounts relating to tax on unremitted earnings were £22m (FY2024: £22m). The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is immaterial.

The deferred tax asset relating to losses has been recognised on the basis of strong evidence of future taxable profits against which the unutilised tax losses can be relieved or it is probable that they will be recovered against the reversal of deferred tax liabilities. The closing net deferred tax asset balance attributable to UK activities and included in the balance at 31 July 2025 amounted to £nil (FY2024: £nil). Deferred tax attributable to provisions includes £46m (FY2024: £54m) relating to John Crane Inc litigation provision, and £6m (FY2024: £9m) relating to Titeflex Corporation. See note 23 for additional information on provisions.

Losses with unrecognised deferred tax

The Group does not recognise deferred tax on losses of £572m (FY2024: £603m).

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

	2025 £m	Expiry of losses	2024 £m	Expiry of losses
Unrestricted losses – operating losses	572	No expiry	603	No expiry

Losses with deferred tax unrecognised have increased by £31m (FY2024: £82m increase). This is mainly due to the utilisation of unrecognised losses in Smiths Detection Inc of £42m as it was profitable, offset by an increase in losses in the UK of £14m.

Developments in the Group tax position

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates and the legislation is effective for the Group's financial year beginning 1 August 2024.

The UK substantively enacted the BEPS Pillar Two global minimum taxes legislation on 20 June 2023, for accounting periods beginning on or after 1 January 2024.

The pillar two charge borne by Smiths Group does not have a material impact on the Group's FY25 ETR.

7. Employees

	Year ended 31 July 2025			Year ended 31 July 2024 represented*		
	Continuing Operations £m	Discontinued Operations £m	Total £m	Continuing Operations £m	Discontinued Operations £m	Total £m
Staff costs during the period						
Wages and salaries	751	114	865	743	101	844
Social security	90	16	106	85	14	99
Share-based payment (note 9)	19	2	21	13	1	14
Pension costs (including defined contribution schemes) (note 8)	33	2	35	33	2	35
Total	893	134	1,027	874	118	992

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

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

	Year ended 31 July 2025	Year ended 31 July 2024
John Crane	6,250	6,200
Flex-Tek	4,200	4,050
Smiths Detection	3,500	3,400
Smiths Interconnect	2,650	2,600
Corporate (including central/shared IT services)	350	300
Total	16,950	16,550

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 of the Remuneration & People Committee report within the Annual Report 2025. Further information for the Non-executive Directors is available in the single figure remuneration table in the Remuneration & People Committee report within the Annual Report 2025.

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Key management compensation		
Salaries and short-term employee benefits	16.3	12.6
Cost of retirement benefits	0.6	0.7
Cost of share-based incentive plans	9.4	3.4

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

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

	Year ended 31 July 2025		Year ended 31 July 2024	
	Number of instruments '000	Weighted average exercise price	Number of instruments '000	Weighted average exercise price
LTIP	1,375		1,389	
SAYE	10	£13.09	11	£13.06

Related party transactions

The only related party transactions in FY2025 were key management compensation (FY2024: key management compensation).

8. Retirement benefits

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

Defined contribution plans

The Group operates defined contribution plans across many countries. In the UK a defined contribution plan has been offered since the closure of the UK defined benefit pension plans. In the US a 401(k) defined contribution plan operates. The total expense recognised in the consolidated income statement in respect of all these plans was £33m (FY2024: £31m).

Defined benefit and post-retirement healthcare plans

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

For all schemes, pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. These valuations have been updated by independent qualified actuaries in order to assess the liabilities of the schemes as at 31 July 2025. Contributions to the schemes are made on the advice of the actuaries, in accordance with local funding requirements.

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
At beginning of period	29	89
Foreign exchange rate movements	–	1
Current service cost	(2)	(4)
Headline scheme administration costs	(2)	(3)
Non-headline scheme administration costs	(4)	(6)
Past service cost, curtailments, settlements – continuing operations	–	(4)
Finance income – retirement benefits	3	6
Contributions by employer	11	16
Actuarial losses	(3)	(66)
Net retirement benefit asset	32	29

UK pension schemes

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

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

Smiths Industries Pension Scheme (SIPS)

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

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

The duration of SIPS liabilities is around 19 years (FY2024: 20 years) for active deferred members, 16 years (FY2024: 17 years) for deferred members and 9 years (FY2024: 10 years) for pensioners and dependants.

Under the governing documentation of SIPS, any future surplus would be returnable to Smiths Group plc by refund, assuming gradual settlement of the liabilities over the lifetime of the scheme.

In SIPS, as part of ongoing data cleansing work being undertaken to prepare the scheme for a potential full buy-out in the future, a wider review is being carried out to determine if the method used in the early 1990s to equalise retirement ages between men and women was implemented correctly. In FY2024, a liability of £3m was recognised as a past service cost, to reflect the expected impact of data cleansing work for the scheme of £0.4m, as well as an updated cost estimate for the impact of GMP equalisation of £2.6m. Whilst the wider review of scheme data remains on-going, no liabilities have been recognised in FY2025 or are expected to arise in future in respect of data cleansing work.

SIPS uses a Liability Driven Investment (LDI) strategy to hedge against interest and inflation rate changes, which is tested regularly to ensure leverage is appropriate and there is sufficient collateral to withstand any market shocks.

TI Group Pension Scheme (TIGPS)

This scheme was closed to future accrual effective 1 November 2009. TIGPS provides index-linked (to applicable caps) pension benefits based on final earnings at the date of closure. TIGPS is governed by a corporate trustee (TI Pension Trustee Limited, an independent company). The board of trustee directors comprises three Company-nominated trustees and four member-nominated trustees, with an independent trustee director selected by the trustee. The trustee is responsible for the management, administration, funding and investment strategy of the scheme.

In June 2022 the TIGPS trustee completed a deal to secure its remaining uninsured pension liabilities, by way of a bulk annuity buy-in with Rothesay Life plc. This means all of the scheme's liabilities are insured via seven buy-in policies. In terms agreed between the Group and the TIGPS trustee prior to the transaction, the trustee will use any surplus remaining, after the costs of buying-out and winding up the scheme have been met, to improve member benefits. The FY2022 income statement recognised a past service cost of £24m in relation to the derecognition of the remaining surplus, though the cost of benefit improvements was not paid until FY2025 and will not be applied to member benefits until FY2026. The Group currently has no expectation of receiving a refund from the scheme and has placed an economic benefit value of zero on the TIGPS surplus from 10 June 2022.

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

The most recent actuarial valuation of this scheme has been performed using the Projected Unit Method as at 5 April 2023. The valuation showed a surplus of £44m on the Technical Provisions funding basis at the valuation date and the funding position remains in surplus. Given TIGPS's circumstances, the Group's current expectation is that no further contributions to TIGPS will be required. The next actuarial valuation is due as at 5 April 2026.

The duration of the TIGPS liabilities is around 17 years (FY2024: 18 years) for active deferred members, 15 years (FY2024: 16 years) for deferred members and 8 years (FY2024: 9 years) for pensioners and dependants.

US pension plans

The valuations of the principal US pension and post-retirement healthcare plans were performed using census data at 1 January 2025.

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

The duration of the liabilities for the largest US plan is around 14 years (FY2024: 15 years) for active deferred members, 13 years (FY2024: 14 years) for deferred members and 9 years (FY2024: 10 years) for pensioners and dependants.

Risk management

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

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

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

Across SIPS and TIGPS, approximately 60% of all liabilities are now de-risked through 11 bulk annuities.

TIGPS

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

SIPS

SIPS has covered roughly 33% of liabilities with matching annuities, eliminating investment return, longevity, inflation and funding risks in respect of those liabilities. It has also adopted a LDI strategy to hedge interest and inflation risks of the scheme's uninsured liabilities by investment in gilts together with the use of gilt repurchase arrangements, total return swaps, inflation swaps and interest rate swaps. The strategy also takes into account the scheme's corporate bond investments.

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

	2025 UK	2025 US	2025 Other	2024 UK	2024 US	2024 Other
Rate of increase in salaries	n/a	n/a	0.2%	n/a	n/a	2.8%
Rate of increase for active deferred members	4.1%	n/a	n/a	4.0%	n/a	n/a
Rate of increase in pensions in payment	3.1%	n/a	1.8%	3.3%	n/a	0.5%
Rate of increase in deferred pensions	3.1%	n/a	n/a	3.3%	n/a	n/a
Discount rate	5.6%	5.5%	2.6%	5.0%	5.2%	2.8%
Inflation rate	3.1%	n/a	0.9%	3.3%	n/a	2.1%

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

Inflation rate assumptions

The RPI inflation assumption of 3.1% has been derived using the Aon UK Government Gilt Prices Only Curve with an Inflation Risk Premium of 0.1% p.a. (FY2024: 0.1%).

The Government's response to its consultation on RPI reform was published on 25 November 2020, and strongly implied that RPI will become aligned with CPI-H from 2030. No specific allowance (beyond anything already priced into markets) has been factored into the RPI assumptions for potential changes. The assumption for the long-term gap between RPI and CPI is 0.4% p.a. (FY2024: 0.5%) reflecting the Group's view on the market pricing of this gap over the lifetime of the UK schemes' liabilities, i.e., 0.9% p.a. (FY2024: 0.9%) pre-2030 and 0.1% p.a. post-2030 (FY2024: 0.1%).

Discount rate assumptions

The UK schemes use a discount rate based on the annualised yield on the Aon GBP Single Agency Curve, using the expected cash-flows from a notional scheme with obligations of the same duration as that of the UK schemes. This is the same approach as was adopted for FY2024.

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

Mortality assumptions

The mortality assumptions used in the principal UK schemes are based on the 'SAPS S3' birth year tables with relevant scaling factors based on the recent experience of the schemes. The assumption allows for future improvements in life expectancy in line with the 2023 CMI projections, with a smoothing factor of 7.0 and 'A' parameter of 0.5%/0.25% (SIPS/TIGPS) and blended to a long-term rate of 1.5%. The CMI projections incorporate allowance for the impact of COVID-19 by placing a weighting of 0% on 2020 and 2021 mortality data and a weighting of 15% on 2022 and 2023 mortality data.

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

Expected further years of life	UK schemes			
	Male 31 July 2025	Female 31 July 2025	Male 31 July 2024	Female 31 July 2024
Member who retires next year at age 65	22	24	22	24
Member, currently 45, when they retire in 20 years' time	23	25	23	25

Expected further years of life	US schemes			
	Male 31 July 2025	Female 31 July 2025	Male 31 July 2024	Female 31 July 2024
Member who retires next year at age 65	21	22	21	22
Member, currently 45, when they retire in 20 years' time	22	24	22	24

Sensitivity

Sensitivities in respect of the key assumptions used to measure the principal pension schemes as at 31 July 2025 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions. In practice, such assumptions rarely change in isolation.

	Profit before tax for year ended 31 July 2025 £m	Increase/ (decrease) in scheme assets 31 July 2025 £m	(Increase)/ decrease in scheme liabilities 31 July 2025 £m	Profit before tax for year ended 31 July 2024 £m	Increase/ (decrease) in scheme assets 31 July 2024 £m	(Increase)/ decrease in scheme liabilities 31 July 2024 £m
Rate of mortality – one year increase in life expectancy	(2)	53	(90)	(2)	66	(108)
Rate of mortality – one year decrease in life expectancy	2	(55)	93	2	(67)	110
Rate of inflation – 0.25% increase	(1)	19	(37)	(1)	21	(39)
Discount rate – 0.25% increase	2	(28)	56	2	(33)	65
Market value of scheme assets – 2.5% increase	2	28	–	2	30	–

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

Asset valuation

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

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

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

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

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

Retirement benefit plan assets

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

31 July 2024 – £m				
	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	63	8	1	72
Pooled funds:				
– Pooled equity	–	–	5	5
– Pooled Diversified Growth	–	–	12	12
– Pooled credit	337	–	–	337
Corporate bonds	208	141	–	349
Government bonds/LDI	427	41	3	471
Insured liabilities	1,337	–	–	1,337
Total market value	2,372	190	21	2,583

The UK Government bonds/LDI portfolios contain £763m (FY2024: £691m) of UK Government bonds (gilts), £341m (FY2024: £270m) of gilt repurchase obligations and £15m of interest and inflation swaps (FY2024: £5m) and forward FX contracts with a net obligation of £1m (FY2024: £nil asset). These are held to hedge against foreign currency risk. The pooled funds and insured liabilities are unquoted. The scheme assets do not include any property occupied by, or other assets used by, the Group.

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

The Group acknowledges that responsibility for the effective management of the schemes' assets lies primarily with the trustees, but also accepts that any risks inherent in the investment strategy, including ESG and climate risk, are ultimately underwritten by the Group. Consequently, the Group ensures that the trustees' investment strategy and statements of investment principles are compatible with the Group's wider sustainability strategy. For TIGPS, where all benefits are now secured by way of annuity purchase, all investment risks including ESG and climate risk, have effectively now been eliminated. For SIPS, a significant portion of investment risks have already been eliminated through annuity purchase and the scheme's time horizon to full buy-in, hence exposure to investment risks including ESG and climate risk, continues to reduce.

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

31 July 2025 – £m			
	SIPS	TIGPS	US schemes
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)

31 July 2024 – £m			
	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities:			
– Active deferred members	(13)	(9)	(28)
– Deferred members	(379)	(304)	(80)
– Pensioners	(915)	(609)	(93)
Present value of funded scheme liabilities	(1,307)	(922)	(201)
Market value of scheme assets	1,439	933	190
Surplus restriction	–	(11)	–
Surplus/(deficit)	132	–	(11)

Net retirement benefit obligations

31 July 2025 – £m				
	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,136	180	22	2,338
Present value of funded scheme liabilities	(1,997)	(188)	(28)	(2,213)
Surplus restriction	(11)			(11)
Surplus/(deficit)	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

31 July 2024 – £m				
	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,372	190	21	2,583
Present value of funded scheme liabilities	(2,229)	(201)	(26)	(2,456)
Surplus restriction	(11)	–	–	(11)
Surplus/(deficit)	132	(11)	(5)	116
Unfunded pension plans	(37)	(6)	(38)	(81)
Post-retirement healthcare	(2)	(1)	(3)	(6)
Present value of unfunded obligations	(39)	(7)	(41)	(87)
Net pension asset/(liability)	93	(18)	(46)	29
Comprising:				
Retirement benefit assets	132	–	–	132
Retirement benefit liabilities	(39)	(18)	(46)	(103)
Net pension asset/(liability)	93	(18)	(46)	29

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

Amounts recognised in the consolidated income statement

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Amounts charged to operating profit		
Current service cost	2	4
Past service costs – benefit equalisations	–	4
Headline scheme administration costs	2	3
Non-headline scheme administration costs	4	6
	8	17
The operating cost is charged as follows:		
Headline administrative expenses	4	7
Non-headline administrative expenses	4	10
	8	17
Amounts credited to finance costs		
Non-headline other finance income – retirement benefits	(3)	(6)

Amounts recognised directly in the consolidated statement of comprehensive income

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Re-measurements of retirement defined benefit assets and liabilities		
Difference between interest credit and return on assets	(197)	54
Experience gains/(losses) on scheme liabilities	25	(103)
Actuarial gains arising from changes in demographic assumptions	–	4
Actuarial gains/(losses) arising from changes in financial assumptions	169	(26)
Movement in surplus restriction	–	5
	(3)	(66)

Changes in present value of funded scheme assets

	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

	31 July 2024 – £m			
	UK schemes	US schemes	Other countries	Total
At beginning of period	2,367	186	20	2,573
Interest on assets	117	9	1	127
Actuarial movement on scheme assets	54	(1)	1	54
Employer contributions	–	10	–	10
Scheme administration costs	(7)	(2)	–	(9)
Benefits paid	(159)	(12)	(1)	(172)
At end of period	2,372	190	21	2,583

Changes in present value of funded defined benefit obligations

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)

31 July 2024 – £m				
	UK schemes	US schemes	Other countries	Total
At beginning of period	(2,156)	(202)	(25)	(2,383)
Foreign exchange rate movements	–	–	1	1
Past service costs	(3)	–	(1)	(4)
Interest on obligations	(106)	(11)	(1)	(118)
Actuarial movement on liabilities	(123)	–	(1)	(124)
Benefits paid	159	12	1	172
At end of period	(2,229)	(201)	(26)	(2,456)

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

	Assets		Obligations	
	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
At beginning of period	–	–	(87)	(85)
Current service cost	–	–	(2)	(4)
Interest on obligations	–	–	(3)	(3)
Actuarial movement	–	–	4	(1)
Employer contributions	6	6	–	–
Benefits paid	(6)	(6)	6	6
At end of period	–	–	(82)	(87)

Changes in the effect of the asset ceiling over the year

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Irrecoverable asset at beginning of period	(11)	(16)
Actuarial movement on scheme assets	–	5
At end of period	(11)	(11)

Cash contributions

Company contributions to the defined benefit pension plans and post-retirement healthcare plans totalled £11m (FY2024: £16m). This comprised a one-off additional £5m contribution to the US funded scheme (FY2024: £5m) and £6m (FY2024: £6m) on providing benefits under unfunded defined benefit pension and post-retirement healthcare plans.

In FY2026, cash contributions to the Group's schemes are expected to be up to £17m in total.

Recent legal rulings

In July 2024, the UK Court of Appeal upheld the High Court's June 2023 ruling in the Virgin Media v NTL Pension Trustees II court case relating to section 37 of the Pension Schemes Act 1993 and amendments to benefits for contracted-out defined benefit schemes, such as SIPS and TIGPS. The ruling confirmed the need for an actuarial certificate where such schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any amendments were void without the appropriate certificate. On 2 September 2025, the Government published draft amendments to legislation that aim to give affected pension schemes the ability to retrospectively obtain any necessary actuarial certifications confirming historic benefit changes met the applicable standards. These amendments are unlikely to come into force until 2026. The Group does not expect this ruling to have any impact on its defined benefit obligations and SIPS and TIGPS will continue to be administered on the current basis.

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 2023	4,828	87	958	5,873	£1.78
Granted	1,919	45	243	2,207	£1.34
Exercised	(1,140)	(10)	(437)	(1,587)	£2.54
Lapsed	(1,218)	(8)	(79)	(1,305)	£0.73
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

Options and awards were exercised on an irregular basis during the period. The average closing share price over the financial year was 1,900p (FY2024: 1,656.2p). There has been no change to the effective option price of any of the outstanding options during the period. The number of exercisable share options at 31 July 2025 was nil (31 July 2024: nil).

Range of exercise prices	Total shares under options/awards at 31 July 2025 ('000)	Weighted average remaining contractual life at 31 July 2025 (months)	Total shares under options/awards at 31 July 2024 ('000)	Weighted average remaining contractual life at 31 July 2024 (months)
£0.00 – £2.00	4,765	17	4,503	17
£6.01 – £10.00	—	—	2	—
£10.01 – £12.00	731	26	683	29

For the purposes of valuing options to arrive at the share-based payment charge, the binomial option pricing model has been used. The key assumptions used in the model were volatility of 25% to 20% (FY2024: 25% to 20%) and dividend yield of 2.3% (FY2024: 2.6%), based on historical data, for the period corresponding with the vesting period of the option. These generated a weighted average fair value for LTIP of £15.66 (FY2024: £15.73), and restricted stock of £11.34 (FY2024: £15.29). Staff costs included £22m (FY2024: £14m) for share-based payments, of which £21m (FY2024: £11m) related to equity-settled share-based payments.

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 2023	1,273	193	612	159	2,237
Foreign exchange rate movements	(7)	(2)	(1)	—	(10)
Business combinations	10	—	34	—	44
Additions	—	14	—	4	18
Disposals	—	—	—	(1)	(1)
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
Amortisation and impairments					
At 31 July 2023	64	124	406	122	716
Foreign exchange rate movements	—	(2)	(2)	—	(4)
Amortisation charge for the year	—	2	49	5	56
Disposals	—	—	—	(1)	(1)
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
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
Net book value at 31 July 2023	1,209	69	206	37	1,521

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

In addition to goodwill, acquired intangible assets comprise:

	Patents, licences and trademarks £m	Technology £m	Customer relationships £m	Total acquired intangibles £m
Cost				
At 31 July 2023	20	145	447	612
Foreign exchange rate movements	—	—	(1)	(1)
Business combinations	3	—	31	34
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
Amortisation				
At 31 July 2023	9	92	305	406
Foreign exchange rate movements	—	—	(2)	(2)
Charge for the year	2	10	37	49
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
Net book value at 31 July 2025	19	25	132	176
Net book value at 31 July 2024	12	43	137	192
Net book value at 31 July 2023	11	53	142	206

Individually material intangible assets comprise:

- £22m of customer-related intangibles attributable to United Flexible (remaining amortisation period: 2 years);
- £27m of customer-related intangibles attributable to Morpho Detection (remaining amortisation period: 3 years);
- £24m of customer-related intangibles attributable to Heating & Cooling Products (remaining amortisation period: 8 years);
- £32m of development cost intangibles attributable to a computed tomography programme in Detection (remaining amortisation period: 15 years); and
- £21m of development cost intangibles attributable to an X-ray diffraction programme in Detection (remaining amortisation period: 6 years).

11. Impairment testing

Goodwill

Goodwill is tested for impairment at least annually or whenever there is an indication that the carrying value may not be recoverable.

Further details of the impairment review process and judgements are included in the ‘Sources of estimation uncertainty’ section of the ‘Basis of preparation’ for the consolidated financial statements.

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

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

	2025 £m	2025 Number of CGUs	2024 £m	2024 Number of CGUs
John Crane	130	1	130	1
Flex-Tek	263	1	193	1
Smiths Detection	623	1	625	1
Smiths Interconnect – reclassified to assets held for sale at 31 July 2025 (note 28)	—	1	264	1
	1,016	4	1,212	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 FY2025 business plan and the five-year detailed segmental strategic plan projections which have been prepared by segmental management and approved by the Board.

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

- Revenue: Projected sales were built up with reference to markets and product categories. They incorporated past performance, historical growth rates and projections of developments in key markets;
- Average earnings before interest and tax margin: Projected margins reflect historical performance, our expectations for future cost inflation and the impact of all completed projects to improve operational efficiency and leverage scale. The projections did not include the impact of future restructuring projects to which the Group was not yet committed;
- Projected capital expenditure: The cash-flow forecasts for capital expenditure were based on past experience and included committed ongoing capital expenditure consistent with the FY2026 budget and the segmental strategic projections. The forecast did not include any future capital expenditure that improved/enhanced the operation/asset in excess of its current standard of performance;
- Discount rate: The discount rates have been determined with reference to illustrative weighted average cost of capital (WACC) for each CGU. In determining these discount rates, management have considered systematic risks specific to each of the Group's CGUs. These risk adjusted discount rates have then been validated against the Group's WACC, the WACCs of the CGU's peer group and an average of discount rates used by other companies for the industries in which Smiths divisions operate. Pre-tax rates of 12.2% to 13.6% (FY2024: 11.9% to 12.8%) have been used for the impairment testing; and
- Long-term growth rates: For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity was applied immediately at the end of the five-year detailed forecast period. CGU specific long-term growth rates have been calculated by revenue weighting the long-term GDP growth rates of the markets that each CGU operates in. The long-term growth rates used in the testing ranged from 2.1% to 2.6% (FY2024: 2.1% to 2.6%). These rates do not reflect the long-term assumptions used by the Group for investment planning.

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

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

As at 31 May 2025				
	John Crane	Flex-Tek	Smiths Detection	Smiths Interconnect
Net book value of goodwill (£m)	128	255	610	252
Basis of valuation	Value in use	Value in use	Value in use	Value in use
Discount rate – pre-tax	11.8%	13.6%	12.8%	12.7%
– post-tax	9.4%	10.7%	9.7%	10.3%
Period covered by management projections	5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)	29	11	14	11
Revenue – compound annual growth rate (CAGR) over projection period	6.4%	3.5%	4.6%	6.2%
Average earnings before interest and tax margin	25.7%	21.4%	13.3%	21.1%
Long-term growth rates	2.6%	2.1%	2.1%	2.3%

As at 31 May 2024

	John Crane	Flex-Tek	Smiths Detection	Smiths Interconnect
Net book value of goodwill (£m)	135	191	649	279
Basis of valuation	Value in use	Value in use	Value in use	Value in use
Discount rate – pre-tax	11.9%	12.6%	12.8%	12.5%
– post-tax	9.4%	10.0%	9.5%	10.1%
Period covered by management projections	5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)	31	10	19	12
Revenue – CAGR over projection period	6.1%	3.6%	3.8%	4.4%
Average earnings before interest and tax margin	22.2%	20.5%	12.9%	15.8%
Long-term growth rates	2.6%	2.1%	2.3%	2.5%

Forecast earnings before interest and tax have been projected using:

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

Smiths Detection CGU – Sensitivity analysis

Management have concluded from the results of the Group's CGU impairment testing, that there is no reasonably plausible scenario where any change in one of the individual assumptions would result in an impairment of the Detection CGU. However management recognise that a severe downside scenario, with a combined sensitivity of the key assumptions, would significantly reduce the CGU's headroom but not result in a material impairment. The recoverable amount of all CGUs exceeds their carrying value, on the basis of the assumptions set out in the tables above and any reasonably possible changes thereof.

The Smiths Detection CGU has a lower amount of goodwill impairment testing headroom than the Group's other CGUs. Though there is no reasonably plausible downside scenario that would cause a material impairment, management have included the following voluntary sensitivity disclosures for the CGU:

- The estimated recoverable amount of the Smiths Detection CGU exceeded the carrying value by £499m (FY2024: £254m). Any decline in estimated value-in-use in excess of this amount would result in the recognition of impairment charges.
- If the assumptions used in the impairment review was changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to impairment losses being recognised for the year ended 31 July 2025:

Change required for carrying value to equal recoverable amount	FY2025	FY2024
Revenue – CAGR over five-year projection period	-940 bps decrease	-470 bps decrease
Average earnings before interest and tax margin	-400 bps decrease	-220 bps decrease
Post-tax discount rate	+340 bps increase	+150 bps increase

Note: The information in the sensitivity table above has been provided voluntarily to aid the users of the accounts. Projected capital expenditure and long-term growth rates are not included in the table above as management consider that there is no reasonably possible change in the projected capital expenditure or long-term growth rate that would result in an impairment.

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

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

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

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 2023	178	463	120	761
Foreign exchange rate movements	(3)	(7)	(2)	(12)
Business combinations	—	7	—	7
Additions	10	50	8	68
Disposals	(4)	(17)	(12)	(33)
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
Depreciation				
At 31 July 2023	110	302	102	514
Foreign exchange rate movements	(1)	(3)	(1)	(5)
Charge for the year	8	32	5	45
Disposals	(4)	(17)	(12)	(33)
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
Net book value at 31 July 2025	60	168	16	244
Net book value at 31 July 2024	68	182	20	270
Net book value at 31 July 2023	68	161	18	247

13. Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
Cost or valuation				
At 31 July 2023	190	27	2	219
Foreign exchange rate movements	(3)	(1)	–	(4)
Business combinations	12	–	–	12
Recognition of right of use asset	18	10	–	28
Derecognition of right of use asset	(5)	–	–	(5)
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
Depreciation				
At 31 July 2023	94	19	1	114
Foreign exchange rate movements	(2)	(1)	–	(3)
Charge for the year	29	5	–	34
Derecognition of right of use asset	(5)	–	–	(5)
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
Net book value at 31 July 2025	86	12	1	99
Net book value at 31 July 2024	96	13	1	110
Net book value at 31 July 2023	96	8	1	105

14. Financial assets – other investments

	Investment in ICU Medical, Inc equity £m	Deferred contingent consideration £m	Investments in early stage businesses £m	Cash collateral deposit £m	Total £m
Cost or valuation					
At 31 July 2023	347	13	7	4	371
Fair value change through profit and loss	–	(13)	–	–	(13)
Fair value change through other comprehensive income	(103)	–	(2)	–	(105)
Disposals	(197)	–	–	(3)	(200)
At 31 July 2024	47	–	5	1	53
Fair value change through profit and loss	–	–	–	–	–
Fair value change through other comprehensive income	8	–	–	–	8
Disposals	(55)	–	–	–	(55)
At 31 July 2025	–	–	5	1	6

In the current year, the Group has disposed of the remainder of its equity investment in ICU Medical, Inc equity. This transaction resulted in a £3m non-headline loss (see note 3) relating to the block sale discount on the disposal of these shares.

The Group's investments in early-stage businesses are in businesses that are developing or commercialising related technology. Cash collateral deposits represent amounts held on deposit with banks as security for liabilities or letters of credit.

15. Inventories

	31 July 2025 £m	31 July 2024 £m
Raw materials and consumables	133	192
Work in progress	140	148
Finished goods	313	303
Total inventories	586	643

In FY2025, operating costs included £1,470m (FY2024: £1,629m) of inventory consumed, £16m (FY2024: £13m) was charged for the write-down of inventory and £7m (FY2024: £11m) was released from provisions no longer required.

Inventory provisioning

	31 July 2025 £m	31 July 2024 £m
Gross inventory carried at full value	505	560
Gross value of inventory partly or fully provided for	138	146
	643	706
Inventory provision	(57)	(63)
Inventory after provisions	586	643

16. Trade and other receivables

	31 July 2025 £m	31 July 2024 £m
Non-current		
Trade receivables	3	–
Prepayments	–	1
Contract assets	82	86
Other receivables	5	9
	90	96
Current		
Trade receivables	504	544
Prepayments	36	58
Contract assets	114	123
Other receivables	83	101
	737	826

Trade receivables do not carry interest. Management considers that the carrying value of trade and other receivables approximates to the fair value. Trade and other receivables, including accrued income and other receivables qualifying as financial instruments, are accounted for at amortised cost. The maximum credit exposure arising from these financial assets was £727m (FY2024: £788m).

Contract assets comprise unbilled balances not yet due on contracts, where revenue recognition does not align with the agreed payment schedule. The main movements in the year arose from the reclassification of Interconnect balances to held for sale and increases in contract asset balances of £5m (FY2024: £23m) principally within John Crane and Smiths Detection, offset by a £2m (FY2024: £1m) decrease due to foreign currency translation losses.

A number of Flex-Tek's customers provide supplier finance schemes which allow their suppliers to sell trade receivables, without recourse, to banks. This is commonly known as invoice discounting or factoring. During FY2025 the Group collected £70m of receivables through these schemes (FY2024: £126m). The impact of invoice discounting on the FY2025 balance sheet was that trade receivables were reduced by £18m (2024: £23m). Costs of discounting were £1m (FY2024: £2m), charged to the income statement within financing costs. The cash received via these schemes was classified as an operating cash inflow as it had arisen from operating activities.

Trade receivables are disclosed net of provisions for expected credit loss, with historical write-offs used as a basis, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and a default risk multiplier applied to reflect country risk premium. Credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third-party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The largest single customer was the US Federal Government, representing 9% (FY2024: 8%) of Group revenue.

Ageing of trade receivables

	31 July 2025 £m	31 July 2024 £m
Trade receivables which are not yet due	388	436
Trade receivables which are between 1-30 days overdue	49	56
Trade receivables which are between 31-60 days overdue	22	17
Trade receivables which are between 61-90 days overdue	13	13
Trade receivables which are between 91-120 days overdue	6	5
Trade receivables which are more than 120 days overdue	44	46
	522	573
Expected credit loss allowance provision	(15)	(29)
Trade receivables	507	544

Movement in expected credit loss allowance

	31 July 2025 £m	31 July 2024 £m
Brought forward loss allowance at the start of the period	29	30
Exchange adjustments	—	1
Increase in allowance recognised in the income statement	8	4
Amounts written off or recovered during the year	(19)	(6)
Amounts reclassified to discontinued operations	(3)	—
Carried forward loss allowance at the end of the year	15	29

17. Trade and other payables

	31 July 2025 £m	31 July 2024 £m
Non-current		
Other payables	12	15
Contract liabilities	26	26
	38	41
Current		
Trade payables	229	274
Other payables	46	35
Other taxation and social security costs	27	60
Accruals	222	204
Contract liabilities	155	191
	679	764

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

Contract liabilities comprise deferred income balances of £181m (FY2024: £217m) in respect of payments being made in advance of revenue recognition. The movement in the year arises primarily from the long-term contracts of the Smiths Detection business segment where invoicing under milestones precedes the delivery of the programme performance obligations. Revenue recognised in the year includes £176m (FY2024: £166m) that was included in the opening contract liabilities balance. This revenue primarily relates to the delivery of performance obligations in the Smiths Detection business.

18. Borrowings and net debt

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

	31 July 2025 £m	31 July 2024 £m
Cash and cash equivalents		
Net cash and deposits	195	459
Short-term borrowings		
Lease liabilities	(29)	(32)
Interest accrual	(3)	(2)
	(32)	(34)
Long-term borrowings		
€650m 2.00% Eurobond 2027	(556)	(534)
Lease liabilities	(79)	(91)
	(635)	(625)
Borrowings/gross debt	(667)	(659)
Derivatives managing interest rate risk and currency profile of the debt	10	(13)
Net debt (excludes £21m of net cash in discontinued operations)	(462)	(213)

Net debt for the total Group (including £21m of net cash held in discontinued operations) is £441m (FY2024: £213m).

Cash and cash equivalents

	31 July 2025 £m	31 July 2024 £m
Cash at bank and in hand	102	123
Short-term deposits	93	336
Cash and cash equivalents	195	459

Cash and cash equivalents include highly liquid investments with maturities of three months or less. Borrowings are accounted for at amortised cost and are categorised as other financial liabilities. See note 19 for a maturity analysis of borrowings. Interest of £12m (FY2024: £12m) was charged to the consolidated income statement in the period in respect of public bonds.

Analysis of financial derivatives on balance sheet

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net balance £m
Derivatives managing interest rate risk and currency profile of the debt	10	–	–	–	10
Foreign exchange forward contracts	–	7	(2)	–	5
At 31 July 2025	10	7	(2)	–	15
Derivatives managing interest rate risk and currency profile of the debt	–	–	–	(13)	(13)
Foreign exchange forward contracts	–	4	(4)	–	–
At 31 July 2024	–	4	(4)	(13)	(13)

Movements in assets/(liabilities) arising from financing activities

	Changes in net debt					Changes in other financing items: FX contracts		Total liabilities from financing activities £m
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m	£m	£m	
At 31 July 2024	459	(34)	(625)	(13)	(213)	–	(213)	
Foreign exchange gains/(losses)	(12)	1	(11)	–	(22)	–	(22)	
Net cash inflow from continuing operations	(221)	–	–	–	(221)	–	(221)	
Reclassified to asset/liability held for sale	(31)	2	8	–	(21)	–	(21)	
Lease payments	–	41	–	–	41	–	41	
Interest paid	–	63	–	–	63	–	63	
Interest expense	–	(71)	–	–	(71)	–	(71)	
Cash inflow from matured derivative contracts	–	–	–	–	–	2	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)	

	Changes in net debt					Changes in other financing items: FX contracts £m	Total liabilities from financing activities £m
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	Net debt £m		
At 31 July 2023	285	(29)	(625)	(18)	(387)	3	(384)
Foreign exchange gains/(losses)	(14)	1	10	–	(3)	–	(3)
Net cash inflow from continuing operations	188	–	–	–	188	–	188
Lease payments	–	39	–	–	39	–	39
Interest paid	–	57	–	–	57	–	57
Interest expense*	–	(63)	–	–	(63)	–	(63)
Cash inflow from matured derivative contracts	–	–	–	–	–	5	5
Fair value movements	–	–	(9)	5	(4)	(8)	(12)
Lease liabilities acquired	–	–	(12)	–	(12)	–	(12)
Net movement from new leases and modifications	–	(28)	–	–	(28)	–	(28)
Reclassifications	–	(11)	11	–	–	–	–
At 31 July 2024	459	(34)	(625)	(13)	(213)	–	(213)

* Interest expense presented in note 4 also includes a £1m accrual movement that does not form part of net debt.

Cash pooling

Cash and overdraft balances in interest compensation cash pooling systems are reported gross on the balance sheet. The cash pooling agreements incorporate a legally enforceable right of net settlement. However, as there is no intention to settle the balances net, these arrangements do not qualify for net presentation. At 31 July 2025 the total value of overdrafts on accounts in interest compensation cash pooling systems was £nil (FY2024: £nil). The balances held in zero balancing cash pooling arrangements have daily settlement of balances. Therefore, netting is not relevant.

Change of control

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

Lease liabilities

Lease liabilities have been measured at the present value of the remaining lease payments. The weighted average incremental borrowing rate applied to lease liabilities in FY2025 was 4.69% (FY2024: 4.42%).

19. Financial risk management

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

Treasury Risk Management Policy

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

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

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

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

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

1) Credit quality

The Group's strategy is to maintain a solid investment-grade rating to ensure access to the widest possible sources of financing at the right time and to optimise the resulting cost of debt capital. The credit ratings at the end of July 2025 were BBB+ / Baa2 (both negative outlook) from Standard & Poor's and Moody's respectively. An essential element of an investment-grade rating is

consistent and robust cash-flow metrics. The Group's objective is to maintain a net debt/headline EBITDA ratio of two times or lower over the medium term. Capital management is discussed in more detail in note 26.

2) Debt and interest rate

The Group's risk management objectives are to ensure that the majority of funding is drawn from the public debt markets, the average maturity profile of gross debt is to be at or greater than three years, and between 40-60% of gross debt (excluding leases) is at fixed rates. At 31 July 2025 these measures were 100% (FY2024: 100%), 1.6 years (FY2024: 2.6 years) and 54% (FY2024: 54%).

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

3) Liquidity management

The Group's objective is to ensure that at any time undrawn committed facilities, net of short-term overdraft financing, are at least £300m and that committed facilities have at least 12 months to run until maturity. At 31 July 2025, these measures were £805m (FY2024: £623m) and a weighted average maturity of 49 months (FY2024: 57 months). At 31 July 2025, net cash resources were £195m (FY2024: £459m). Liquidity risk management is discussed in note 19(d).

4) Currency management

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

(a) Foreign exchange risk

Transactional currency exposure

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

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

	At 31 July 2025				
	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
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 as net investment hedges	(24)	(51)	(11)	(22)	(108)
	(34)	222	95	66	349
Exclude balances held in operations with the same functional currency	33	(386)	(74)	28	(399)
Exposure arising from intra-Group loans	–	154	(15)	(46)	93
Future forward foreign exchange contract cash-flows	(85)	(52)	32	105	–
	(86)	(62)	38	153	43

	At 31 July 2024				
	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	38	417	147	195	797
Financial instruments included in trade and other payables	(45)	(222)	(117)	(111)	(495)
Cash and cash equivalents	139	222	19	79	459
Borrowings not designated as net investment hedges	(26)	(61)	(14)	(22)	(123)
	106	356	35	141	638
Exclude balances held in operations with the same functional currency	(108)	(305)	(38)	(153)	(604)
Exposure arising from intra-Group loans	–	65	37	(71)	31
Future forward foreign exchange contract cash-flows	13	(93)	6	74	–
	11	23	40	(9)	65

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

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

	Impact on profit for the year FY2025 £m	Gain/(loss) recognised in reserves FY2025 £m	Impact on profit for the year FY2024 £m	Gain/(loss) recognised in reserves FY2024 £m
US dollar	4	2	1	2
Euro	(1)	(2)	(1)	(3)
Sterling	3	(2)	(2)	–

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

Cash-flow hedging

The Group uses forward foreign exchange contracts to hedge future foreign currency sales and purchases. At 31 July 2025, contracts with a nominal value of £103m (FY2024: £178m) were designated as hedging instruments. In addition, the Group had outstanding foreign currency contracts with a nominal value of £357m (FY2024: £315m) which were being used to manage transactional foreign exchange exposures, but were not accounted for as cash-flow hedges. The fair value of the contracts is disclosed in note 20.

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

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

The main sources of hedge ineffectiveness in these hedging relationships are the effect of the Group's and the counterparty credit risks on the fair value of the foreign exchange forward contracts, which is not reflected in the fair value of the hedged item and the risk of over-hedging where the hedge relationship requires re-balancing. No other sources of ineffectiveness emerged from these hedging relationships. Any hedge ineffectiveness is recognised immediately in the income statement in the period that it occurs. Of the foreign exchange contracts designated as hedging instruments, 100% are for periods of 12 months or less (FY2024: 100%).

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Brought forward cash-flow hedge reserve at start of year	–	–
Foreign exchange forward contracts:		
Net fair value gains on effective hedges	(2)	–
Amount reclassified to income statement – finance costs	3	–
Carried forward cash-flow hedge reserve at end of year	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
Sales and purchases	Foreign currency risk	Foreign exchange contracts	FY2025	(2)	2	(2)
			FY2024	–	–	–

Cash-flow hedges generated £nil of ineffectiveness in FY2025 (FY2024: £nil) which was recognised in the income statement through finance costs.

Translational currency exposure

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

Net investment hedges

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

	At 31 July 2025			At 31 July 2024		
	US\$ £m	Euro £m	Total £m	US\$ £m	Euro £m	Total £m
Loans designated as net investment hedges	–	(296)	(296)	–	(288)	(288)
Cross-currency swap	(240)	–	(240)	(248)	–	(248)
	(240)	(296)	(536)	(248)	(288)	(536)

At 31 July 2025, cross-currency swaps hedged the Group's exposure to US dollars and euros (FY2024: US dollars and euros). All the cross-currency swaps designated as net investment hedges were non-current (FY2024: non-current). Swaps generating £240m of the US dollar exposure (FY2024: £248m) will mature in February 2027.

In addition, non-swapped borrowings were also used to hedge the Group's exposure to euros (FY2024: euros). Borrowings generating £296m of the euro exposure (FY2024: £288m) will mature in February 2027.

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

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

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Brought forward net investment hedge reserve at start of year	(191)	(196)
Cross-currency swaps Net fair value gains on effective hedges	7	–
Bonds Net fair value gains on effective hedges	(7)	5
Carried forward net investment hedge reserve at end of year	(191)	(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 2025 and 31 July 2024:

Hedged item	Hedged exposure	Hedging instrument	Financial year	Changes in value of the hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Net investment hedge reserve £m
Overseas operation	Foreign currency risk	Bonds	FY2025	7	(7)	(7)
		Cross-currency swaps	FY2025	(7)	8	7
						–
Overseas operation	Foreign currency risk	Bonds	FY2024	(5)	5	–

Net investment hedges generated £1m of ineffectiveness in FY2025 (FY2024: £nil) which was recognised in the income statement through finance costs.

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

	Loss recognised in hedge reserve 31 July 2025 £m	Loss recognised in hedge reserve 31 July 2024 £m
US dollar	27	28
Euro	33	32

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

(b) Interest rate risk

The Group operates an interest rate policy designed to optimise interest cost and reduce volatility in reported earnings. The Group's current policy is to require interest rates to be fixed within a band of between 40% and 60% of the level of gross debt (excluding leases). This is achieved through fixed rate borrowings and interest rate swaps. At 31 July 2025 54% (FY2024: 54%) of the Group's gross borrowings (excluding leases) were at fixed interest rates, after adjusting for interest rate swaps and the impact of short maturity derivatives designated as net investment hedges.

The Group monitors its fixed rate risk profile against both gross and net debt. For medium-term planning, it focuses on gross debt to eliminate the fluctuations of variable cash levels over the cycle. The weighted average interest rate on borrowings and cross-currency swaps at 31 July 2025, after interest rate swaps, was 4.25% (FY2024: 4.60%).

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

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

As at 31 July 2025				
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
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)

As at 31 July 2024				
	At fair value through profit or loss £m	Cash and cash equivalents £m	Borrowings £m	Fair value of borrowings £m
Fixed interest				
Less than one year	–	–	(34)	(34)
Between one and five years	–	–	(351)	(343)
Greater than five years	–	–	(33)	(33)
Total fixed interest financial liabilities	–	–	(418)	(410)
Floating rate interest financial assets/(liabilities)	1	393	(241)	(244)
Total interest-bearing financial assets/(liabilities)	1	393	(659)	(654)
Non-interest-bearing assets in the same category	–	66	–	–
Total	1	459	(659)	(654)

Interest rate hedging

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

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

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

At 31 July 2024, the Group had designated the following hedge against variability on the fair value of borrowings arising from fluctuations in base rates:

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

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £259m (FY2024: £253m) debt from fixed rate to floating rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

The following table sets out the details of the hedged exposures covered by the Group's fair value hedges:

Hedged item	Hedged exposure	Financial year	Changes in value of hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Carrying amount		Accumulated fair value adjustments on hedged item	
					Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2025	(7)	8	–	251	–	(5)
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2024	(9)	9	–	253	–	(12)

(a) Classified as borrowings.

Fair value hedges generated a £1m ineffectiveness in gain FY2025 (FY2024: £nil) which was recognised in the income statement through finance costs.

Sensitivity of interest charges to interest rate movements

The Group has exposure to sterling, US dollar and euro interest rates. However, the Group does not have a significant exposure to interest rate movements for any individual currency. Based on the composition of net debt and investments at 31 July 2025, and taking into consideration all fixed rate borrowings and interest rate swaps in place, a one percentage point (100 basis points) change in average floating interest rates for all three currencies would have a £2m impact (FY2024: £2m impact) on the Group's profit before tax.

(c) Financial credit risk

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

The maximum credit risk exposure in the event of other parties failing to perform their obligations under financial assets, excluding trade and other receivables and derivatives, totals £201m at 31 July 2025 (FY2024: £465m).

	31 July 2025 £m	31 July 2024 £m
Cash in AAA liquidity funds	76	196
Cash at banks with at least a AA- credit rating	33	26
Cash at banks with all other A credit ratings	79	185
Cash at other banks	7	52
Investments in bank deposits	1	1
Other investments	5	5
Total	201	465

At 31 July 2025, the maximum exposure with a single bank for deposits and cash was £54m (FY2024: £128m). The bank has a credit rating of AAA (FY2024: A+). The maximum mark to market exposure with a single bank for derivatives was £3m, the bank has a credit rating of AA-. In the prior year derivatives were out of the money and did not represent a credit risk.

(d) Liquidity risk

Borrowing facility

Board policy specifies the maintenance of an unused committed credit facility of at least £300m at all times to ensure that the Group has sufficient available funds for operations and planned development. The Group has a Revolving Credit Facility of US\$800m maturing 5 May 2030 and a Revolving Credit Facility of £200m maturing 17 June 2027. At the balance sheet date, the Group had the following undrawn credit facility:

	31 July 2025 £m	31 July 2024 £m
Expiring between one and two years (FY2024: n/a)	200	–
Expiring after more than four years (FY2024: four years)	605	623
Total	805	623

Cash deposits

As at 31 July 2025, £93m (FY2024: £336m) of cash and cash equivalents was on deposit with various banks of which £76m (FY2024: £196m) was in liquidity funds. £1m (FY2024: £1m) of investments comprised bank deposits held to secure liabilities and letters of credit.

Gross contractual cash-flows for borrowings

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

As at 31 July 2024 - represented*					
	Borrowings represented* £m	Fair value adjustments £m	Lease liabilities £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(2)	—	(32)	(11)	(45)
Between one and two years	—	—	(21)	(11)	(32)
Between two and three years	(546)	12	(18)	(11)	(563)
Between three and four years	—	—	(11)	—	(11)
Between four and five years	—	—	(8)	—	(8)
Greater than five years	—	—	(33)	—	(33)
Total	(548)	12	(123)	(33)	(692)

* The FRC's review of the Group's FY2024 annual report and accounts identified a small number of reporting improvement matters. Following the FRC's review, borrowings in the table above has been represented to separately disclose the maturity analysis of lease liabilities. The table has also been restated to show the correct bond repayment date.

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

Gross contractual cash-flows for derivative financial instruments

As at 31 July 2025			
	Receipts £m	Payments £m	Net cash-flow £m
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

As at 31 July 2024			
	Receipts £m	Payments £m	Net cash-flow £m
Assets			
Less than one year	260	(256)	4
Greater than one year	4	(4)	—
Liabilities			
Less than one year	223	(227)	(4)
Greater than one year	254	(267)	(13)
Total	741	(754)	(13)

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

Gross contractual cash-flows for other financial liabilities

The contractual cash-flows for financial liabilities included in trade and other payables were £461m (FY2024: £481m) due in less than one year, £21m (FY2024: £14m) due between one and five years.

20. Derivative financial instruments

The tables below set out the nominal amount and fair value of derivative contracts held by the Group, identifying the derivative contracts which qualify for hedge accounting treatment.

At 31 July 2025				
	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	103	2	(1)	1
Foreign exchange contracts (not hedge accounted)	357	5	(1)	4
Total foreign exchange contracts	460	7	(2)	5
Cross-currency swaps (fair value and net investment hedges)	240	10	–	10
Total financial derivatives	700	17	(2)	15
Balance sheet entries:				
Non-current	258	10	–	10
Current	442	7	(2)	5
Total financial derivatives	700	17	(2)	15

At 31 July 2024				
	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	178	2	(2)	–
Foreign exchange contracts (not hedge accounted)	315	2	(2)	–
Total foreign exchange contracts	493	4	(4)	–
Cross-currency swaps (fair value and net investment hedges)	248	–	(13)	(13)
Total financial derivatives	741	4	(17)	(13)
Balance sheet entries:				
Non-current	255	–	(13)	(13)
Current	486	4	(4)	–
Total financial derivatives	741	4	(17)	(13)

Accounting for other derivative contracts

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

Netting

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

	Assets 31 July 2025 £m	Liabilities 31 July 2025 £m	Assets 31 July 2024 £m	Liabilities 31 July 2024 £m
Gross value of assets and liabilities	17	(2)	4	(17)
Related assets and liabilities subject to master netting agreements	(2)	2	(4)	4
Net exposure	15	–	–	(13)

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

			Maturity at 31 July 2025		Maturity at 31 July 2024	
Hedged exposure	Hedging instrument		Up to one year	One to five years	Up to one year	One to five years
Fair value hedges						
Interest rate/ foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	–	254	–	254
		– Historical average exchange rate	–	0.845	–	0.845
		– Average spread over three-month BBP SONIA	–	1.860%	–	1.860%
Net investment hedges						
Foreign currency risk	Cross-currency swaps (GBP:USD)	– Notional amount (£m)	–	240	–	248
		– Historical average exchange rate	–	1.2534	–	1.2534
Cash-flow hedges						
Foreign currency risk	Foreign exchange contracts (USD:GBP)	– Notional amount (£m)	29	–	41	–
		– Average exchange rate	1.3076	–	1.2593	–
	Foreign exchange contracts (EUR:USD)	– Notional amount (£m)	16	–	24	–
		– Average exchange rate	0.8017	–	0.9277	–
	Foreign exchange contracts (GBP:EUR)	– Notional amount (£m)	15	–	66	–
		– Average exchange rate	0.8729	–	0.8588	–
	Foreign exchange contracts (CHF:EUR)	– Notional amount (£m)	11	3	–	–
		– Average exchange rate	0.9240	0.9049	–	–
	Foreign exchange contracts (AED:EUR)	– Notional amount (£m)	13	–	–	–
		– Average exchange rate	4.0632	–	–	–
	Foreign exchange contracts (CZK:GBP)	– Notional amount (£m)	10	–	25	–
		– Average exchange rate	29.4206	–	28.6952	–
	Foreign exchange contracts (AUD:EUR)	– Notional amount (£m)	4	–	9	–
		– Average exchange rate	1.7473	–	1.6564	–

At 31 July 2025, the Group had forward foreign exchange contracts with a nominal value of £103m (FY2024: £178m) designated as cash-flow hedges. These forward foreign exchange contracts are in relation to sale and purchase of multiple currencies with varying maturities up to 16 February 2027. The largest single currency pairs are disclosed above and make up 98% of the notional hedged exposure. The notional and fair values of these foreign exchange forward derivatives are shown in the nominal amount and fair value of derivative contracts table above.

21. Fair value of financial instruments

As at 31 July 2025	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
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)

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

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

by IFRS 13).

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

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

As at 31 July 2024	Notes	Basis for determining fair value	At amortised cost £m	At fair value through profit or loss £m	At fair value through OCI £m	Total carrying value £m	Total fair value £m
Financial assets							
Other investments	14	A	–	1	47	48	48
Other investments	14	F	–	–	5	5	5
Cash and cash equivalents	18	B	459	–	–	459	459
Trade and other financial receivables		B/C	797	–	–	797	797
Derivative financial instruments	20	C	–	4	–	4	4
Total financial assets			1,256	5	52	1,313	1,313
Financial liabilities							
Trade and other financial payables		B	(495)	–	–	(495)	(495)
Short-term borrowings	18	B/D	(2)	–	–	(2)	(2)
Long-term borrowings	18	D	(534)	–	–	(534)	(529)
Lease liabilities	18	E	(123)	–	–	(123)	(123)
Derivative financial instruments	20	C	–	(17)	–	(17)	(17)
Total financial liabilities			(1,154)	(17)	–	(1,171)	(1,166)

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 2025, commitments, comprising bonds and guarantees arising in the normal course of business, amounted to £180m (FY2024: £187m), including pension commitments of £44m (FY2024: £44m) and charitable funding commitments for the Smiths Group Foundation of £8m (FY2024: £9m). In addition, the Group has committed expenditure on capital projects amounting to £4m (FY2024: £14m).

23. Provisions and contingent liabilities

	Trading	Non-headline and legacy			Total
	£m	John Crane, Inc. litigation £m	Titeflex Corporation litigation £m	Other £m	£m
At 31 July 2023	8	204	41	33	286
Business combinations	1	—	—	—	1
Provision charged	12	29	—	5	46
Provision released	(2)	—	(5)	(5)	(12)
Unwind of provision discount	—	8	1	—	9
Utilisation	(6)	(21)	(1)	(8)	(36)
At 31 July 2024	13	220	36	25	294
Comprising:					
Current liabilities	10	32	13	20	75
Non-current liabilities	3	188	23	5	219
At 31 July 2024	13	220	36	25	294
Foreign exchange rate movements	—	(6)	(1)	—	(7)
Business combinations	—	—	—	—	—
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

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

Trading

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

Warranty provision and product liability

At 31 July 2025, the Group had warranty and product liability provisions of £17m (FY2024: £9m). Warranties over the Group's products typically cover periods of between one and three years. Provision is made for the likely cost of after-sales support based on the recent past experience of individual businesses.

Commercial disputes and litigation in respect of ongoing business activities

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

Contingent liabilities

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

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

Non-headline and legacy

John Crane, Inc.

John Crane, Inc. (JCI) is one of many co-defendants in numerous lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to, or use of, products previously manufactured which contained asbestos. Until 2006, the awards, the related interest and all material defence costs were met directly by insurers. In 2007, JCI secured the commutation of certain insurance policies in respect of product liability. Provision is made in respect of the expected costs of defending known and predicted future claims and of adverse judgements in relation thereto, to the extent that such costs can be reliably estimated.

The JCI products generally referred to in these cases consist of industrial sealing products, primarily packing and gaskets. The asbestos was encapsulated within these products in such a manner that causes JCI to understand, based on tests conducted on its behalf, that the products were safe. JCI ceased manufacturing products containing asbestos in 1985.

JCI continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the most efficacious presentation of its 'safe product' defence, and intends to continue to resist these asbestos claims based upon this defence. The table below summarises the JCI claims experience over the last 45 years since the start of this litigation:

	Year ended 31 July 2025	Year ended 31 July 2024	Year ended 31 July 2023	Year ended 31 July 2022	Year ended 31 July 2021
JCI claims experience					
Claims against JCI that have been dismissed	313,000	312,000	310,000	306,000	305,000
Claims JCI is currently a defendant in	21,000	20,000	20,000	22,000	22,000
Cumulative final judgements, after appeals, against JCI since 1979	157	156	154	149	149
Cumulative value of awards (US\$m) since 1979	192	191	190	175	175

The number of claims outstanding at 31 July 2025 reflected the benefit of 1,000 (FY2024: 2,000) claims being dismissed in the year.

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

John Crane, Inc. litigation provision

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

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

The projections use a limited time horizon on the basis that Bates White LLC consider that there is substantial uncertainty in the asbestos litigation environment. So probable expenditures are not reasonably estimable beyond this time horizon. Asbestos is the longest-running mass tort litigation in American history and is constantly evolving in ways that cannot be anticipated. JCI's defence strategy also generates a significantly different pattern of legal costs and settlement expenses from other defendants. Thus JCI is in an extremely rare position, and evidence from other litigation cannot be used to improve the reliability of the projections. A ten-year (FY2024: ten-year) time horizon has been used based on past experience regarding significant changes in the litigation environment that have occurred every few years and on the amount of time taken in the past for some of those changes to impact the broader asbestos litigation environment.

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

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

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

John Crane, Inc. litigation insurance recoveries

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

John Crane, Inc. litigation provision sensitivities

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

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

In order to evaluate the statistical reliability of the projections, a population of outcomes is modelled using randomised verdict outcomes. This generated a distribution of outcomes with future spend at the 5th percentile of £170m and future spend at the 95th percentile of £230m (FY2024: £200m and £258m, respectively). Statistical analysis of the distribution of these outcomes indicates that there is a 50% probability that the total future spend will fall between £214m and £242m (FY2024: between £245m and £271m), compared to the gross provision value of £231m (FY2024: £261m).

John Crane, Inc. litigation provision history

The JCI asbestos litigation provision of £191m (FY2024: £220m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m
John Crane, Inc. litigation provision					
Gross provision	231	261	246	258	220
Discount	(40)	(41)	(42)	(29)	(8)
Discounted pre-tax provision	191	220	204	229	212
Deferred tax	(46)	(54)	(51)	(57)	(54)
Discounted post-tax provision	145	166	153	172	158
Operating profit charge/(credit)					
(Decreased)/Increased provisions for adverse judgements and legal defence costs	(11)	28	28	24	10
Change in US risk-free rates	(1)	1	(15)	(18)	(5)
Subtotal – items charged to the provision	(12)	29	13	6	5
Litigation management, legal fees in connection with litigation against insurers and defence strategy	–	–	2	1	1
Recoveries from insurers	(1)	(3)	(7)	–	(9)
Total operating profit (credit)/charge	(13)	26	8	7	(3)
Cash-flow					
Provision utilisation – legal defence costs and adverse judgements	(18)	(21)	(32)	(21)	(13)
Litigation management expense	–	–	(2)	(1)	–
Recoveries from insurers	1	3	7	–	9
Net cash outflow	(17)	(18)	(27)	(22)	(4)

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

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

The projections use a ten-year time horizon. Reducing the time horizon by one year would reduce the provision by £15m (FY2024: £16m) and reducing it by five years would reduce the provision by £85m (FY2024: £87m).

We consider, after obtaining advice from Bates White LLC, that to forecast beyond ten years requires that the litigation environment remains largely unchanged with respect to the historical experience used for estimating future asbestos expenditures. Historically, the asbestos litigation environment has undergone significant changes more often than every ten years. If one assumed that the asbestos litigation environment would remain unchanged for longer and extended the time horizon by one year, it would increase the pre-tax provision by £13m (FY2024: £13m) and extending it by five years would increase the pre-tax provision by £45m (FY2024: £47m). However, there are also reasonable scenarios that, given certain recent events in the US asbestos litigation environment, would result in no additional asbestos litigation for JCI beyond ten years. At this time, how the asbestos litigation environment will evolve beyond ten years is not reasonably estimable.

John Crane, Inc. contingent liabilities

Provision has been made for future defence costs and the cost of adverse judgements expected to occur. JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These can include: changing approaches on

the part of the plaintiffs' bar; changing attitudes amongst the judiciary at both trial and appellate levels; and legislative and procedural changes in both the state and federal court systems. As a result, whilst the Group anticipates that asbestos litigation will continue beyond the period covered by the provision, the uncertainty surrounding the US litigation environment beyond this point is such that the costs cannot be reliably estimated.

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

Titeflex Corporation

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

Titeflex Corporation litigation provision

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

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

The provision of £26m (FY2024: £36m) is a discounted pre-tax provision using discount rates, being the risk-free rate on US debt instruments for the appropriate period. The deferred tax asset related to this provision is shown within the deferred tax balance (note 6).

	31 July 2025 £m	31 July 2024 £m
Gross provision	56	69
Discount	(30)	(33)
Discounted pre-tax provision	26	36
Deferred tax	(6)	(9)
Discounted post-tax provision	20	27

Titeflex Corporation litigation provision history

A credit of £5m (FY2024: £5m credit) has been recognised by Titeflex Corporation in respect of changes to the estimated cost of future claims from insurance companies seeking recompense for damage allegedly caused by lightning strikes. The lower gross provision value has been principally driven by a reduction in the number of claims.

Other non-headline and legacy provisions

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

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

Reorganisation

At 31 July 2025, there were reorganisation provisions of £5m (FY2024: £1m) relating to the various restructuring programmes that are expected to be utilised in the next 18 months.

Property

At 31 July 2025, there were provisions of £7m (FY2024: £6m) related to actual and potential environmental issues for sites currently or previously occupied by Smiths operations.

24. Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares of 37.5p each			
Total share capital at 31 July 2023	349,302,990	131	
Share buybacks	(4,205,196)	(1)	(70)
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 capital structure

As at 31 July 2025, the Company's issued share capital was 329,684,303 ordinary shares with a nominal value of 37.5p per share. All of the issued share capital was in free issue and all issued shares are fully paid.

The Company's ordinary shares are listed and admitted to trading on the Main Market of the London Stock Exchange. The Company has an American Depositary Receipt (ADR) programme and one ADR equates to one ordinary share. As at 31 July 2025, 2,816,482 ordinary shares were held by the nominee of the programme in respect of the same number of ADRs in issue.

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

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

Powers of Directors

The Directors are authorised to issue and allot shares and to buy back shares subject to receiving shareholder approval at the General Meeting. Such authorities were granted by shareholders at the 2024 Annual General Meeting. At the 2025 AGM, it will be proposed that the Directors be granted new authorities to allot and buy back shares.

Share buybacks

As at 10 September 2025 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 17.2 million ordinary shares (FY2024: 31.8 million). As at 10 September 2025, the Company did not hold any shares in treasury. Any ordinary shares purchased may be cancelled or held in treasury.

On 26 March 2024, the Company announced a £100m share buyback programme to purchase ordinary shares in the capital of the Company. The programme has since been extended to £500m. Under this scheme, 15,413,491 ordinary shares of 37.5p were repurchased during the period for a total consideration of £303m of which 300,000 shares with a value of £7m were yet to settle and be cancelled.

A further 2,099,395 ordinary shares have been repurchased during the period of 1 August 2025 to 10 September 2025. The programme is expected to be completed by the end of the calendar year.

In total since the start of the £500m Programme, 20,253,422 shares have been repurchased for a total consideration of £398m, representing 6% of the called-up ordinary share capital outstanding at the start of the Programme.

Employment share schemes

Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights. The Company operates an Employee Benefit Trust, with an independent trustee, to hold shares pending employees becoming entitled to them under the Company's share schemes and plans. On 31 July 2025, the Trust held 1,662,267 (FY2024: 1,388,730) ordinary shares in the Company. The Trust waived its dividend entitlement on its holding during the year, and the Trust abstains from voting any shares held at General Meetings.

25. Dividends

The following dividends were declared and paid in the period:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Ordinary final dividend of 30.2p (FY2024: 28.70p) paid 22 November 2024	104	100
Ordinary interim dividend of 14.23p (FY2024: 13.55p) paid 14 May 2025	48	47
	152	147

In the current year a final dividend of 30.2p was paid on 22 November 2024 in respect of FY2024 and an interim dividend of 14.23p was paid in respect of FY2025. In the prior year a total dividend of 42.25p was paid, comprising a final dividend of 28.7p paid in respect of FY2023 and an interim dividend of 13.55p paid in respect of FY2024.

The final dividend for the year ended 31 July 2025 of 31.77p per share was recommended by the Board on 22 September 2025 and will be paid to shareholders on 21 November 2025, subject to approval by the shareholders. This dividend is payable to all shareholders on the register of members at 6.00pm on 17 October 2025 (the record date).

Waiver of dividends

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

26. Reserves

Retained earnings include the value of Smiths Group plc shares held by the Smiths Industries Employee Benefit Trust. In the year the Company issued nil (FY2024: nil) shares to the Trust, the Trust purchased 1,318,518 shares (FY2024: 1,251,530 shares) in the market for a consideration of £23m (FY2024: £20m) and redeemed 1,044,561 shares (FY2024: 1,605,729) to employees for a cumulative option cost of £1m (FY2024: £4m). At 31 July 2025, the Trust held 1,662,267 (FY2024: 1,388,730) ordinary shares.

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

Capital management

Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, net retirement benefit-related assets and liabilities, net litigation provisions relating to non-headline items and net debt. The efficiency of the allocation of capital to the divisions is monitored through the return on capital employed (ROCE). This ratio is calculated over a rolling 12-month period and is the percentage that headline operating profit comprises of monthly average capital employed. In FY2025 ROCE was 18.1% (FY2024: 16.4%); see note 30.

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

The FY2025 ratio of net debt to headline EBITDA of 0.6 (FY2024: 0.3) is within the Group's stated policy of 2.0 or less over the medium term. The Group's robust balance sheet and record of strong cash generation are more than able to fund immediate investment needs and legacy obligations. See note 30 for the definition of headline EBITDA and the calculation of this ratio.

As part of its capital management, the Group maintains a solid investment grade credit rating to ensure access to the widest possible sources of financing and to optimise the resulting cost of capital. At 31 July 2025, the Group had a credit rating of BBB+/Baa2 (FY2024: BBB+/Baa2) with Standard & Poor's and Moody's respectively.

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

Hedge reserve

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

	31 July 2025 £m	31 July 2024 £m
Net investment hedge reserve	(191)	(191)
Deferred tax on net investment hedge reserve	7	7
Cashflow hedge reserve	1	–
Hedge reserve total	(183)	(184)

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

Non-controlling interest

The Group has recorded non-controlling interests of £24m (FY2024: £22m), of which the most significant balance is in John Crane Japan Inc., which represented £22m (FY2024: £20m) of the total non-controlling interests.

The non-controlling interest in John Crane Japan Inc. represents a 30% interest. John Crane Japan Inc. generated operating profits of £10m in the period (FY2024: £4m), and cash inflows from operating activities of £6m (FY2024: £4m). It paid dividends of £1m (FY2024: £1m) and tax of £2m (FY2024: £1m). At 31 July 2025, the company contributed £57m (FY2024: £53m) of net assets to the Group.

27. Acquisitions

During September 2024, the Group acquired 100% of the share capital of Wattco, Inc. (19 September 2024) and acquired 100% of the share capital of Modular Metal (1 October 2024). On 28 February 2025, the Group acquired 100% of the share capital of Duc-Pac.

Wattco is a manufacturer of industrial heating solutions and control panels which will expand Flex-Tek's industrial heat business.

The total cash consideration for this acquisition was £68m, with deferred contingent consideration valued at £8m. The deferred consideration is contingent on the post-acquisition performance of the business and has been valued using a probability weighted expected return model. The maximum return from the deferred contingent consideration is £15m and the minimum is £nil, it has been classified as other payables within the Group balance sheet.

Modular Metal is a manufacturer of metal and flexible duct which will expand Flex-Tek's HVAC business. The total cash consideration for this acquisition was £31m, with deferred consideration being circa £4m.

Duc-Pac is a manufacturer of metal and flexible ducting products and will expand Flex-Tek's presence in the North-Eastern American HVAC market. The total cash consideration for this acquisition was £31m, with deferred consideration being circa £4m.

All acquisitions were financed using the Group's own cash resources. The intangible assets recognised on acquisition comprise customer relationships, trade names and non-compete agreements. Goodwill represents the expected synergies from the strategic fit of the acquisition and the value of the expertise in the assembled workforce.

From the date of acquisition to 31 July 2025, Wattco contributed £12m to revenue and £2m to profit before taxation and amortisation. If the Group had acquired Wattco at the beginning of the financial year, the acquisition would have contributed an additional £6m to revenue and £2m to profit before taxation and amortisation.

From the date of acquisition to 31 July 2025, Modular Metal contributed £18m to revenue and £4m to profit before taxation and amortisation. If the Group had acquired Modular Metal at the beginning of the financial year, the acquisition would have contributed an additional £5m to revenue and £1m to profit before taxation and amortisation.

From the date of acquisition to 31 July 2025, Duc-Pac contributed £6m to revenue and £2m to profit before taxation and amortisation. If the Group had acquired Duc-Pac at the beginning of the financial year, the acquisition would have contributed an additional £9m to revenue and £2m to profit before taxation and amortisation.

The balances at the date of acquisition have been provided in the table below. The amounts for Duc-Pac are provisional due to the fair value of the acquisition balance sheet not being finalised.

		Wattco £m	Modular Metal £m	Duc-Pac £m	Total £m
Non-current assets	– acquired intangible assets	24	17	18	59
	– plant and machinery	1	2	2	5
	– right of use assets	4	1	1	6
Current assets	– inventory	2	7	3	12
	– trade and other receivables	1	–	–	1
	– cash and cash equivalents	2	6	1	9
Current liabilities	– trade and other payables	(6)	(1)	(1)	(8)
Non-current liabilities	– deferred tax	(6)	(3)	–	(9)
	– lease liability	(4)	(1)	(1)	(6)
Net assets acquired		18	28	23	69
Goodwill on current period acquisitions		58	7	12	77
Total		76	35	35	146
Cash paid during the period		68	31	31	130
Deferred/contingent consideration		8	4	4	16
Total consideration		76	35	35	146

Post balance sheet date acquisition

On 1 August 2025 the Group's Smiths Detection business completed on the acquisition of 100% of the assets of Med Graphix Inc. for total consideration of £6m. Due to the short time between the completion of the acquisition and the announcement date, it has not been possible to complete the determination of the fair values of the acquired balance sheet.

28. Discontinued operations and businesses held for sale

On 31 January 2025, the Group announced a number of strategic actions to unlock significant value and enhance returns to shareholders. These strategic actions included Smiths Interconnect being divested, targeting a transaction announcement by end of calendar year 2025 and Smiths Detection being separated either by UK demerger or sale following the sale of Smiths Interconnect.

At the July 2025 Smith Group Board meeting, it was determined that the Smiths Interconnect divestment project had progressed sufficiently for the Smiths Interconnect business to be accounted for as a discontinued operation and as a business held for sale. Smiths Interconnect is a separate major line of business for the Group.

Separately management have determined that Smiths Detection separation project was progressing to schedule but had not yet progressed sufficiently for the Smiths Detection business to be accounted for as a discontinued operation or a business held for sale or distribution to owners.

Interconnect's US sub-systems business unit (Smiths Interconnect, Inc (SII)) has been disclosed as a separate disposal group,

following an agreement to sell the business separately from the rest of Smiths Interconnect. The value of SII's net assets have been impaired to their fair value less costs to sell, this has resulted in a £30m impairment loss being recognised.

The sale of the rest of Smiths Interconnect remains on schedule with a sale announcement expected by the end of the calendar year 2025.

Discontinued operations

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

	Year ended 31 July 2025			Year ended 31 July 2024		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Revenue	421	–	421	354	–	354
Operating costs	(346)	(10)	(356)	(305)	(3)	(308)
Impairment loss	–	(30)	(30)	–	–	–
Operating profit/(loss)	75	(40)	35	49	(3)	46
Finance costs	–	–	–	(1)	–	(1)
Profit/(loss) before taxation	75	(40)	35	48	(3)	45
Taxation	(18)	(1)	(19)	(13)	(3)	(16)
Profit/(loss) from discontinued operations	57	(41)	16	35	(6)	29

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Net cash inflow from operating activities	65	20
Net cash-flow used in investing activities	(13)	(11)
Net cash-flow used in financing activities	(14)	(4)
Net increase in cash and cash equivalents	38	5

Additional segmental information for discontinued operations

Headline operating profit for discontinued operations is stated after charging depreciation £10m (FY2024: £11m), amortisation £1m (FY2024: £2m) and share based payments £3m (FY2024: £2m).

The capital expenditure on property, plant and equipment, capitalised development and other intangible assets for discontinued operations is £13m (FY2024: £11m).

Businesses held for sale

At 31 July 2025 the SII and the rest of Smiths Interconnect disposal groups both met the criteria for classification as held for sale.

The carrying value of the assets and liabilities of these disposal groups are as follows:

	SII £m	Interconnect £m	Total 31 July 2025 £m
Assets classified as held for sale:			
Intangible assets	–	278	278
Property, plant and equipment	–	43	43
Right of use assets	–	6	6
Inventories	9	65	74
Deferred tax assets	–	1	1
Current tax receivable	–	2	2
Trade and other receivables	12	60	72
Cash and cash equivalents	–	31	31
Assets classified as held for sale	21	486	507
Liabilities classified as held for sale:			
Financial liabilities - leases	(4)	(6)	(10)
Trade and other payables	(9)	(74)	(83)
Current tax payable	–	(6)	(6)
Deferred tax liabilities	(1)	(5)	(6)
Provisions for liabilities and charges	–	(1)	(1)
Liabilities classified as held for sale	(14)	(92)	(106)

Analysis by geographical areas

The Interconnect's revenue by destination and selected operating assets by geographical location are shown below:

	Americas £m	Europe £m	APAC £m	ROW £m	Total £m
Revenue by geographical location					
Revenue year ended 31 July 2025	214	76	116	15	421
Revenue year ended 31 July 2024	200	81	54	19	354
Year ended 31 July 2025 – Selected operating assets by geographical location					
Intangible assets	275	3	–	–	278
Property, plant and equipment	26	11	6	–	43
Right of use asset	5	1	–	–	6
Total	306	15	6	–	327

29. Cash-flow

Cash-flow from operating activities

	Year ended 31 July 2025			Year ended 31 July 2024 – represented*		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Operating profit:						
– continuing operations	505	(95)	410	477	(108)	369
– discontinued operations	75	(40)	35	49	(3)	46
Amortisation of intangible assets	25	52	77	7	49	56
Impairment on sale of SII	–	30	30	–	–	–
Depreciation of property, plant and equipment	43	2	45	44	1	45
Depreciation of right of use assets	34	–	34	34	–	34
Loss on disposal of property, plant and equipment	2	–	2	1	–	1
Loss on fair value of contingent consideration	–	–	–	–	13	13
Share-based payment expense	21	–	21	13	–	13
Retirement benefits**	4	(7)	(3)	7	(8)	(1)
Loss on disposal of financial asset	–	3	3	–	9	9
Recycling of cash flow hedge reserve	(2)	–	(2)	–	–	–
Decrease/(increase) in inventories	(20)	4	(16)	(4)	–	(4)
Decrease/(increase) in trade and other receivables	(35)	35	–	(107)	26	(81)
Increase/(decrease) in trade and other payables	(5)	7	2	71	(21)	50
Increase/(decrease) in provisions	9	(55)	(46)	3	(5)	(2)
Cash generated from operations	656	(64)	592	595	(47)	548
Interest paid	(63)	–	(63)	(57)	–	(57)
Interest received	40	–	40	26	–	26
Tax paid	(113)	–	(113)	(99)	–	(99)
Net cash inflow from operating activities	520	(64)	456	465	(47)	418

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

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

Headline cash measures – continuing operations

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

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

	Year ended 31 July 2025			Year ended 31 July 2024		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Net cash inflow from operating activities	520	(64)	456	465	(47)	418
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(80)	–	(80)	(86)	–	(86)
Repayment of lease liabilities	(41)	–	(41)	(39)	–	(39)
Funding of charitable foundation	–	1	1	–	1	1
Movement in cash collateral	–	–	–	4	–	4
Free cash-flow			336			298
Exclude:						
Repayment of lease liabilities	41	–	41	39	–	39
Interest paid	63	–	63	57	–	57
Interest received	(40)	–	(40)	(26)	–	(26)
Tax paid	113	–	113	99	–	99
Funding of charitable foundation	–	(1)	(1)	–	(1)	(1)
Movement in cash collateral	–	–	–	(4)	–	(4)
Operating cash-flow	576	(64)	512	509	(47)	462

Headline cash conversion

Headline operating cash conversion for the total Group is calculated as follows:

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline operating profit	580	526
Headline operating cash-flow	576	509
Headline operating cash conversion	99%	97%

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

	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Free cash-flow	336	298
Disposal of financial assets	53	186
Disposal of subsidiaries – post-sale expenses	(12)	–
Acquisition of businesses	(121)	(65)
Funding of charitable foundation	(1)	(1)
Other net cash-flows used in financing activities (note: repayment of lease liabilities is included in free cash-flow)	(476)	(230)
Net (decrease)/increase in cash and cash equivalents	(221)	188

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	<p>Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows:</p> <ul style="list-style-type: none"> – To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; – To eliminate the Group's investment in ICU Medical, Inc. equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc; and – To eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of deferred tax, and net debt. <p>It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.</p>
Capital expenditure	<p>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.</p>
Divisional headline operating profit (DHOP)	<p>DHOP comprises divisional earnings before central costs, finance costs and taxation. DHOP is used to monitor divisional performance. A reconciliation of DHOP to operating profit is shown in note 1.</p>
Free cash-flow	<p>Free cash-flow is calculated by adjusting the net cash inflow from operating activities to include capital expenditure, the repayment of lease liabilities, the proceeds from the disposal of property, plant and equipment and the investment in financial assets relating to operating activities and pensions financing outstanding at the balance sheet date. The measure shows cash generated by the Group before discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash-flow is shown in note 29.</p>
Gross debt	<p>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.</p>
Headline	<p>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.</p>
Headline EBITDA	<p>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.</p>
Net debt	<p>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).</p>
Non-headline	<p>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.</p>
Operating cash-flow	<p>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.</p>
Operating profit	<p>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.</p>

APM term	Definition and purpose
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 normalised Scope 1 & 2 GHG emissions. Normalised is calculated as tCO ₂ e per £m of revenue. This measure is used to monitor environmental performance.
Gross vitality	Gross vitality is calculated as the percentage of revenue derived from new products and services launched in the last five years. This measure is used to monitor the effectiveness of the Group's new product development and commercialisation.
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	<p>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.</p> <p>This KPI has replaced "R&D cash costs as a % of sales" as the Group's measure of research and development investment.</p>
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 £478m (FY2024: £478m), to eliminate the Group's investment in ICU Medical, Inc. equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc. and to eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of related tax, and net debt.

	Notes	31 July 2025 £m	31 July 2024 £m
Net assets		2,060	2,252
Adjust for:			
Goodwill recognised directly in reserves		478	478
Retirement benefit assets and obligations	8	(32)	(29)
Tax related to retirement benefit assets and obligations		18	17
John Crane, Inc. litigation provisions and related tax	23	145	166
Titeflex Corporation litigation provisions and related tax	23	20	27
Investment in ICU Medical, Inc. equity	14	–	(47)
Net debt (includes £21m of net cash from discontinued operations)	18	441	213
Capital employed		3,130	3,077

Return on capital employed (ROCE)

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline operating profit for previous 12 months – including discontinued operations		580	526
Average capital employed – including discontinued operations (excluding investment in ICU Medical, Inc. equity)	1	3,204	3,206
ROCE		18.1%	16.4%

Total Group revenue and headline operating profit

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Revenue			
Continuing operations		2,915	2,778
Discontinued operations		421	354
Total Group		3,336	3,132
Headline operating profit			
Continuing operations		505	477
Discontinued operations		75	49
Total Group		580	526

Credit metrics

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

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline operating profit – total Group		580	526
Exclude:			
– depreciation of property, plant and equipment	29	43	44
– depreciation of right of use assets	13	34	34
– amortisation and impairment of development costs	10	10	2
– amortisation of software, patents and intellectual property	10	15	5
Headline EBITDA		682	611

Ratio of net debt to headline EBITDA – total Group

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 £m
Headline EBITDA		682	611
Net debt (including £21m of net cash from discontinued operations)	18	441	213
Ratio of net debt to headline EBITDA		0.6	0.3

Headline EBITDA for continuing operations is calculated as follows:

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

	Notes	Year ended 31 July 2025 £m	Year ended 31 July 2024 represented* £m
Headline operating profit – continuing operations		505	477
Exclude:			
– depreciation of property, plant and equipment		36	37
– depreciation of right of use assets		31	31
– amortisation and impairment of development costs		10	2
– amortisation of software, patents and intellectual property		14	3
Headline EBITDA		596	550

* The comparatives for the year to 31 July 2024 have been represented to reflect the reclassification of the Smiths Interconnect business as a discontinued operation.

31. Post balance sheet events

Details of the proposed final dividend announced since the end of the reporting period are given in note 25. Details of the post balance sheet date acquisition are given in note 27.

32. Audit exemption taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act for FY2025.

Company name	Company number
EIS Group Limited	61407
Flexibox International Limited	394688
Flex-Tek Group Limited	11545405
Graseby Limited	894638
SI Properties Limited	160881
Smiths Detection Group Limited	5138140
Smiths Detection Investments Limited	5146644
Smiths Finance Limited	7888063
Smiths Group Innovation Limited	10953689
Smiths Interconnect Group Limited	6641403
Smiths Pensions Limited	2197444