smiths

Engineering a better future

Annual Report & Accounts
FY2024

Welcome

Our purpose

We are focused on solving the toughest problems for our customers, helping address critical global needs such as safety and security, decarbonisation and the ever-increasing demand for data connectivity. At the same time, we are building the long-term resilience of Smiths Group and our global operations.

We are pioneers of progress – engineering a better future.

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 technology and engineering.

How to navigate this report

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

- Supporting data, statistics or insights
- Pointers to additional content within the report
- Pointers to additional external content
- Quotes from our team and highlights

Access more information

Read more about sustainability in our Sustainability at Smiths report on www.smiths.com

Read more about the Group on our website www.smiths.com

Scan to read our Sustainability at Smiths report

Scan to read more about the Group

About this report

This is the Smiths Group plc Annual Report & Accounts FY2024.

Data presented in this report is for the 12 months to 31 July 2024 unless otherwise stated.

FY2024 highlights

Roland Carter
Chief Executive Officer

I am pleased to report strong organic revenue growth against a record comparator, continued headline operating profit margin expansion and two new acquisitions. I am also pleased to guide to further growth and margin expansion in FY2025 and reaffirm our medium-term financial targets. We are making good strategic, operational and financial progress, and all our businesses are well positioned for compelling value creation.

We have high-quality teams, an incredible breadth of engineering excellence, and a relentless focus on our customers. Effective strategy execution is enhancing our performance – and we will build on, and out from, this solid foundation, enabling us to grow more profitably to make Smiths even better. This will be delivered through improved prioritisation of investment in R&D and innovation to power organic growth; the Group-wide Acceleration Plan, which is designed to drive productivity and profitability – bringing delivery of our medium-term margin target closer; and disciplined M&A, all of which offer the opportunity to augment overall performance.

As a team, we focus on solving our customers' toughest problems and are united by our purpose of engineering a better future. Thank you to all my colleagues for a great year. I look forward to achieving even more together, as we continue to accelerate value creation for all our stakeholders."

Continued good delivery against our strategy; well positioned for ongoing value creation

- Good financial results for the year: +5.4% organic[1] revenue growth, 16.8% headline[2] operating profit margin and +8.3% headline[2] EPS growth
- Headline[2] operating cash conversion of 97%; strong balance sheet 0.3x net debt/EBITDA; proposed final dividend of 30.2p, up +5.2%
- Announcing today two strategic and disciplined acquisitions for up to £110m, enhancing Flex-Tek's HVAC[3] and industrial heating businesses
- Continued focus on high-performance, purpose-based culture and ESG initiatives
- Launching a Group-wide Acceleration Plan to enhance profitability and productivity, for one-off costs totalling £60-65m in the period FY2025-FY2026; £30-35m of annualised benefits in FY2027
- Expect FY2025 organic revenue growth of 4-6%, with continued margin expansion
- Reaffirming medium-term financial targets and strategic focus on growth, people and execution

Headline[2]	**FY2024**	FY2023	Reported	**Organic[1]**
Revenue	**£3,132m**	£3,037m	+3.1%	**+5.4%**
Operating profit	**£526m**	£501m	+5.0%	**+7.1%**
Operating profit margin[4]	**16.8%**	16.5%	+30bps	**+34bps**
Basic EPS	**105.5p**	97.5p	+8.3%	
ROCE[4]	**16.4%**	15.7%	+70bps	
Operating cash conversion[4]	**97%**	86%	+11pps	

Statutory	**FY2024**	FY2023	Reported
Revenue	**£3,132m**	£3,037m	+3.1%
Operating profit	**£415m**	£403m	+3.0%
Profit for the year (after tax)	**£251m**	£232m	+8.2%
Basic EPS	**72.3p**	65.5p	+10.4%
Dividend per share	**43.75p**	41.6p	+5.2%

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 Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions.
2 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
3 Heating, ventilation and air conditioning.
4 Alternative Performance Measures (APMs) and Key Performance Indicators (KPIs) are defined in note 29 to the financial statements.

Chairman’s statement

Steve Williams
Chairman

Dear shareholders,

A warm welcome to our Annual Report FY2024.

It has been a busy period and I am delighted to report that my initial expectations have been exceeded. This company has a remarkable history and a very bright future.

The broader business environment has been challenging. Geopolitical tension, wars and inflationary pressures have been joined by political uncertainty, as elections around the world play out. And we continue to see the ripples of transformatory change expand – from digitisation and AI; the accelerating response to climate change; and demographic shifts in all our markets. With that said, the Group’s ability to deliver strong revenue growth and continued margin expansion is testament to the fundamental resilience and underlying strengths of the Smiths business model.

This Annual Report and its companion Sustainability at Smiths report describe in detail our approach and achievements for all stakeholders. Highlights include the investment we are making to better understand our supply chains, so that we only choose suppliers who are explicitly committed to our Values and goals, and the first round of charitable grants made by the Smiths Group Foundation to organisations nominated by our people.

We were very pleased to appoint Roland Carter as CEO in March. Our ability to respond quickly to Paul Keel’s decision to leave Smiths, was a result of ongoing robust succession planning work which has strengthened the entirety of the senior leadership group. This enabled us to undertake a rigorous process, ensuring a smooth transition with minimal disruption to the business. Roland is a highly regarded leader with a deep knowledge of our markets and businesses. The bench strength of our senior leadership team was further underlined by new internal appointments to the Executive Committee arising from the change in CEO. Paul Keel left with our thanks and good wishes for his new role in the US.

There were also some changes to Non-executive Board responsibilities during the year. Richard Howes became Chair of the Audit & Risk Committee in November. Bill Seeger retired from the Board in May and his responsibility as Chair of the Remuneration & People Committee has transitioned to Karin Hoeing. I thank Bill for his service to Smiths over many years. Mark Seligman is now the designated Senior Independent Director. We also welcomed Alister Cowan to the Board at the beginning of July – his extensive experience in senior financial roles will be extremely valuable. Finally, on behalf of the Board and the whole Group, I pay tribute to Sir George Buckley who retired as Chairman in November.

We have now recorded a third year of organic revenue growth and are sustaining progress against all our medium-term financial targets, with growth in all key metrics in FY2024. Strong growth continued for our two largest businesses, John Crane and Smiths Detection and both Flex-Tek and Smiths Interconnect returned to growth in the second half of the year.

The health of the business enabled the Board to approve an additional share buyback programme during the year and an increase to both the FY2024 interim and final dividends, whilst also supporting our acquisition objectives.

Importantly, we are successfully investing in and delivering, significant opportunities to deploy Smiths technology and capabilities in new markets and end use applications. John Crane has had great success and notable contract wins in both the hydrogen and carbon capture markets, as well as continuing to support efficiency and emission reductions in more traditional industrial and energy segments. Flex-Tek is pioneering the use of electrical heating elements in emerging industries like green steel, and Smiths Detection is working on projects which harness the potential of screening technology combined with AI for use in secondary mining and recycling processes. The Innovation, Sustainability & Excellence Committee has an exhilarating front row seat as these projects take shape.

One area where Smiths has always been innovative is in the aftermarket. Approximately 51% of Smiths revenue derives from aftermarket support of our products in the field. Keeping critical process infrastructure healthy and in service for longer is both a compelling and integral part of our customer offer and increasingly relevant, as customers focus on the sustainability of their operations.

The sustainability of Smiths operations is also high on the Board's agenda. Planning for Net Zero emissions has accelerated significantly in the last 24 months in every part of Smiths, and we have delivered another year of robust reductions in GHG emissions from operations. These are based on fundamental changes to the way we do things – from energy efficiency projects to transitioning our vehicle fleet to electric vehicles. Our pathway was validated by the Science-Based Targets initiative in December 2023 and the Board is pleased to once again align a portion of both Executive and management remuneration to achieving our targeted GHG reduction trajectory in the coming years.

Our Directors' Remuneration Policy was reviewed in the year and the updated Policy will be put to shareholders at the November AGM. We believe that the Policy serves all our stakeholders well in attracting, retaining and incentivising our most senior leaders to deliver the Group's strategic objectives.

I will close with a particular thanks to Smiths employees. People make an organisation, and it is positively true at Smiths. It has been an enormous pleasure to get to know the Smiths team and absorb the culture. I know that my fellow Board members feel the same. We have diverse and immense talent in the company. It is our most precious resource and something we commit to nurturing and supporting as our people build rewarding careers.

I thank every member of the Smiths team for their contribution during the year and members of the Smiths Board for their wise counsel and ongoing support.

Sincerely,

Steve Williams
Chairman

Markets and megatrends

We track the evolution of key secular themes and trends and their impact on our markets and our business.

Our markets

We operate in four key global markets that are large, attractive and growing.

General Industrial
Customers put their trust in our products and services to support a wide range of general industrial applications in sectors including petrochemicals, mining, pulp & paper, water treatment, semiconductor testing, building, heating elements, automotive and rail transportation.

Safety & Security
Our threat detection equipment helps keep people and assets safe. Persistent and evolving threats are driving security needs in a range of sectors including aviation, ports & borders, and urban settings.

Energy
John Crane's high-performance mechanical seals and systems support energy operations worldwide including oil & gas and low-/no-carbon energy solutions. The need to mitigate climate change and deliver secure and affordable power is driving a fundamental revolution in global energy use, energy sources and energy delivery.

Aerospace & Defence
Satellite launches and emerging activities like deep space exploration are driving demand for high-reliability solutions in the space market. Passenger and freight air traffic is growing, and new fuel-efficient aircraft are being developed. Defence spending continues to grow in response to ongoing geopolitical uncertainty.

Megatrends

Our purpose and portfolio are aligned with powerful megatrends and our innovation is focused on these as well as attractive adjacencies.

Energy efficiency and diversification

The need to cut global emissions is driving greater energy efficiency in all sectors as well as accelerating the adoption of electricity and alternative/ low-carbon fuels.

– Total energy demand is forecast to grow by 31% between 2025 and 2050
– Traditional (i.e. non-renewable) sources will still account for ~73% of supply by 2030
– Investment to deliver the Paris commitment on global warming is projected to exceed US$100 trillion by 2050; 3-4 times the rate of annual historical investment

Productivity and sustainability

Eliminating waste, improving sustainability and ensuring natural resources and environments are used and inhabited sensitively is a growing requirement. The circular economy and service solutions are gaining traction as a way to reduce environmental footprint, waste and cost.

– The EU's recycling rate is c.44% and circularity rate is 11.5%
– The EU's 2020 Circular Economy Action Plan aims to reduce waste, create value and preserve the environment.

Insatiable data demand

Demand for data is continuously increasing as the world becomes more connected and computing power expands. More rapid data transmission, greater bandwidth and faster processing power are required across many sectors.

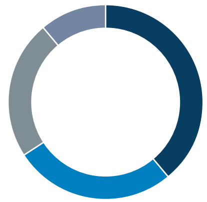
– Data creation and consumption almost tripled between 2019 and 2024 (to almost 125 zettabytes)
– The number of transistors in an integrated circuit doubles roughly every two years
– In 2024 there were 8.9 billion mobile phone subscriptions – or 109 per 100 population

Increased travel and ever-rising security needs

Passenger air travel and air freight continue to grow as well as the volume of goods transported by land and sea, and the public, governments and businesses demand safe environments. Regulatory requirements amplify demand.

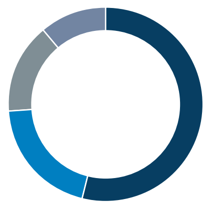
– World air passenger numbers are expected to grow by 3.8% CAGR (compound annual growth rate) 2023 to 2043, representing 4 billion additional journeys by 2043
– The urban population is set to double, with 7 out of 10 people living in cities by 2050

Revenue by global market



General Industrial	39%
Safety & Security	27%
Energy	23%
Aerospace & Defence	11%

Revenue by destination



Americas	54%
Europe	20%
Asia Pacific	15%
Rest of the World	11%

Our strategic framework

Deliver profitable growth from secularly attractive end markets

Invest in technology and engineering for competitive differentiation

Implement mission-critical solutions within long-term customer partnerships

Priority	Element	Description	KPIs/targets
Growth	Secularly attractive end markets	Markets aligned with important megatrends Structural growth characteristics Entry hurdles based on technology and/or customer relationships	Organic revenue growth **Target 4-6%** EPS growth **Target 7-10%**
	Leading businesses	Industry-leading technology and engineering expertise for competitive advantage and strong market segment share	Operating profit margin **Target 18-20%**
	Customer relationships	Mission-critical solutions for tough customer problems – making the world safer, more efficient and productive, and better connected	Organic revenue growth EPS growth Operating profit margin
People	Purpose and Values	Shape and guide who we are, what we do and how we do it	Employee engagement **Target upper quartile score (75+)**
	High-performance culture	Relentless focus on safety Invest in our people – leadership, culture, diversity, equity and inclusion High colleague engagement Community involvement	Recordable incident rate **Target <0.4** Employee engagement
Execution	Invest behind growth	Resource allocation to R&D Capital expenditure and M&A for profitable growth and to access attractive markets, customers and geographies	Organic revenue growth EPS growth Gross vitality **Target 30%** ROCE **Target 15-17%**
	Operational excellence	Scaled Smiths Excellence System to drive: – Agility – Margin improvement – Cost and working capital management – Efficiency – Sustainability	ROCE Operating profit margin Operating cash conversion **Target ~100%** Net Zero **Target Scope 1 & 2 by 2040** **Target Scope 3 by 2050**

→ See our KPIs Page 14

Our business model

Our business model leverages our strengths to deliver our potential and create value for all stakeholders.

Our strengths

World-class engineering
- Track record of innovation
- R&D investment ahead of competitors
- Strong pipeline of new products

Leading positions in critical markets
- Secularly attractive, growing markets
- Leading positions based on technology and/or customer relationships

Global capabilities
- Present in more than 50 countries
- Geographic spread and end market diversification provides stability and growth

Robust financial framework
- Accelerating revenue growth
- Recurring aftermarket revenues
- Good margins and returns on capital
- Low asset intensity
- Strong cash generation

Empowered businesses supported by an efficient Group centre

Functional specialists and leadership

John Crane

Smiths Detection

Global business services

Flex-Tek

Smiths Interconnect

Compliance and governance

Driven by our strategic priorities

Maximise growth opportunities in core markets

Maintain strong and flexible balance sheet to support growth strategy

Drive high-value innovation/ new product commercialisation

Scale SES to drive agility, margin improvement, cost and working capital management, efficiency and sustainability

Invest in growth-accretive priority adjacencies

Underpinned by our culture

Creating value for our stakeholders

Read more about our stakeholders on page 78

Customers
- Solutions that help customers achieve their goals
- Excellent customer service

Communities
- Advancing sustainability
- Investing where we work
- Leading through ethical governance

Suppliers
- Partnerships to deliver for our customers
- Shared commitment to sustainability and doing business the right way

Shareholders
- Performance matching our potential
- Returning surplus capital

People
- Empower and inspire
- Inclusive and engaged culture
- Learning environment
- Progressive rewards

Regulators and governments
- Build relationships that demonstrate openness, transparency and support for policy

Our businesses

John Crane
Mission-critical flow control solutions for energy and process industries that enable efficient and sustainable operations.

Smiths Detection
Detection and screening technologies for safety, security, and freedom of movement.

Flex-Tek
Fluid movement and temperature management.
→ See next page

Smiths Interconnect
Advanced connectivity solutions.
→ See next page

John Crane is a global leader in the design, manufacture, installation and support of mission-critical technologies and services that drive efficiency, safety, and environmental sustainability in large-scale industrial processes.

Competitive strengths

- Strong and differentiated proprietary technologies and expertise across industries
- Largest installed base in the energy and industrials markets
- Innovation focused, growing service capabilities through digitisation and field engineering
- Customer intimacy and strategic alignment with end users through a global network of service and support centres with unique field service capabilities

Growth drivers

- Global demand for stable, secure and affordable energy supply
- Secular growth in energy and primary resource demand, especially in emerging markets
- Increasing demand for enhanced efficiency
- Energy transition – environmental safeguarding and cleaner processes. Requirement to reduce emissions, with particular emphasis on methane. Growth of a more diversified and cleaner low-carbon energy ecosystem, including hydrogen and carbon capture, which drive more demanding needs in compression, pumping and filtration
- Long-term customer partnerships and outsourcing

Smiths Detection is a global leader in the design, manufacture, installation and support of threat detection and screening technologies that protect people and assets.

Competitive strengths

- Global reach and market-leading brand
- Differentiated proprietary technologies leveraged across a broad range of markets
- Significant research and development and digital capabilities
- Operating in regulated market segments that require product certification
- Increasing product sustainability – energy efficiency, supply chain and refurbishment
- Customer intimacy and loyalty through equipment cycle and aftermarket offer

Growth drivers

- Persistent and evolving threats to national security, public safety and critical infrastructure
- Changing aviation security regulations and customer requirements across our industries
- Growing populations and urbanisation
- Growth of global transportation infrastructure
- Global growth of international trade and e-commerce
- Need for integrated digital solutions and cyber security
- Increasing interest in solutions that enable the circular economy
- Staffing constraints are driving demand for digital image analysis software such as automated threat recognition
- Equipment replacement cycle, typically ~ten years

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FLEX-TEK

Flex-Tek is a global provider of high-performance engineered solutions for the safe and efficient movement and temperature management of liquids and gases in a broad range of industry sectors.

Competitive strengths

- Leading capability in design, manufacture and cost engineering
- High-performance, differentiated products
- Innovation focused
- Strong customer relationships and brand reputation

Growth drivers

- Through-cycle growth of the US housing construction market
- Expanding international market for construction products
- The electrification of everything, leading to broad adoption of electrical heating solutions across industrial and domestic settings
- Long-term increase in commercial and military aircraft production
- Customer focus on efficient performance and environmental safeguarding
- Growth in use of medical devices

smiths interconnect

Smiths Interconnect is a preferred supplier of advanced electronic components, sub-systems, optical and radio frequency products for reliable, high-speed and secure data transfer.

Competitive strengths

- Broad portfolio of cutting-edge technologies and products
- Strong research and engineering capabilities
- Customer intimacy and product customisation
- Global reach and support

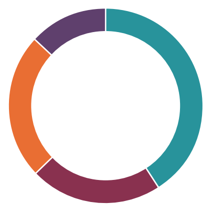
Growth drivers

- Increased demand for faster data transmission, greater bandwidth and faster processing power in aerospace, defence and communications
- Growth of connectivity, as the world becomes more connected, driven by trends including the Internet of Things, Big Data, Internet of Space, and Industry 4.0
- Development of healthcare technology
- Growth in defence electronics

% of FY2024 revenue

John Crane	36%
Smiths Detection	28%
Flex-Tek	25%
Smiths Interconnect	11%

% Employees



John Crane	41%
Smiths Detection	22%
Flex-Tek	24%
Smiths Interconnect	13%

Our people and culture

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 technology and engineering.

Board oversight
Read more about Board oversight of our culture.

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Our Values

Integrity
We do the right thing

Respect
We respect each other

Ownership
We take responsibility

Customer focus
We earn our customers' trust

Passion
We are united in purpose

Our culture inspires and empowers our c.15,750 Smiths colleagues to live our purpose and to seek new ideas and execute them with passion and commitment to deliver our strategic goals. Our culture has four key elements which support the Smiths business model and drive positive outcomes for all our stakeholders. The strength of our culture is underpinned by governance processes set and monitored by the Smiths Board. The Board has ultimate responsibility for ensuring that our culture is healthy and drives the long-term success of the Group.

1. Our Values

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

2. Continuous improvement

We have a common approach to continuous improvement, operational excellence and efficiency – the Smiths Excellence System. It is deployed throughout the Group to determine, accelerate and deliver critical operational and functional projects that make us faster to market, more innovative and responsive to customer needs, and eliminate waste.

3. Smiths Code of Business Ethics

The Smiths Code of Business Ethics outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. See our Code on www.smiths.com

4. Smiths Leadership Behaviours

The Smiths Leadership Behaviours take our Values to the next level. They describe the behaviours needed for the Group to be dynamic, inclusive and focused on delivering results. Everyone is encouraged to be a leader at Smiths.

Sets vision to inspire
Collaborates to uncover future growth opportunities for Smiths. Shares this in a way that inspires and energises colleagues to take action.

Innovates for impact
Committed to continuous improvement, takes opportunities to the market that differentiate Smiths and deliver sustainable value for all stakeholders.

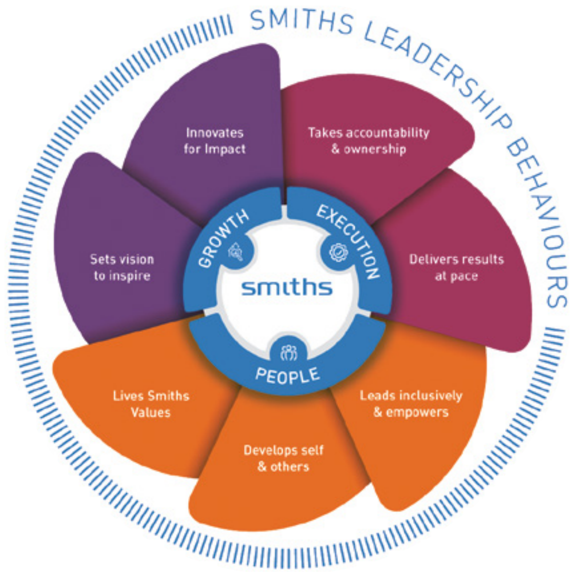
Takes accountability & ownership
Actively takes accountability, follows through on commitments and empowers others to own their outcomes.

Delivers results at pace
Takes an agile, focused and resilient approach that delivers excellent outcomes to meet customer and stakeholder expectations.

Leads inclusively & empowers
Champions inclusion at every opportunity. Creates the environment where others can contribute and thrive, building trust and nurturing empowerment.

Develops self & others
Visibly commits to their personal development and encourages the development of others to reach their full potential.

Lives Smiths Values
Embodies and promotes Smiths Values: integrity, respect, ownership, customer focus and passion, using these to guide all actions.



Q&A with our CEO

Roland Carter
Chief Executive Officer

We are driven by fundamental customer needs and our customers' goals are the same as our own: building resilient businesses and creating value from what we do.

The road ahead is exciting. We will continue to build on, and out from, solid foundations, which is what we have always done at Smiths.

Q
How would you describe Smiths culture?

Culture is embedded in our people – the greatest asset any organisation can utilise. Having worked in the company for 35 years, I know that we have great people who are proud to be part of Smiths; and we are proud to have them. It is our job as an executive team to invest in them, to develop talent individually and collectively – and to nurture those things, like culture, engagement and inclusion, that make our company both special and successful.

But culture is not something that can be imposed. It lives in the grassroots of a company, in Smiths that means in our businesses where our company Values shape how we think and what we do every day. There is a natural relationship between our four businesses – we are experienced engineers; we are focused on high-reliability, high-integrity solutions; and we are customer led. Our Values – integrity, respect, ownership, customer focus and passion – have emerged from this organically and can be traced back through our 170 years in business.

Continuous improvement is also instinctive for engineering and manufacturing businesses like ours; we apply this thinking beyond manufacturing and throughout Smiths to create value in all activities, supported by the Smiths Excellence System (SES). Our Code of Business Ethics is a natural extension of our Values. It is a practical reference point for everyone on how to behave when conducting business to ensure that we always act appropriately and within the law in every place we operate and speak out when we see something not in line with our Values.

The final important aspect of our culture is leadership and ownership – our businesses will be the most successful when everyone in the company feels empowered to lead. That means giving people the right support, the right tools, and the right environments to be creative, to be courageous, and to make good decisions.

Q
How does Smiths purpose align with customer needs?

Everyone in the organisation understands that there is only one reason that Smiths exists and that is because we have customers to serve. And our customers' goals are the same as our own: building resilient businesses and creating value from what we do.

Smiths has been – and always will be – shaped by our focus on growth markets and aligning ourselves with the trends in those markets to which we can meaningfully respond with our technology and engineering capabilities, like electrification or data connectivity. In addition, we are driven by fundamental customer needs – for better performance, for innovation, for keeping critical infrastructure in service, for products that are designed for excellence and sustainability.

To be really good at what we do means that we need to make commercial decisions as close to the customer as possible. This agility satisfies them and reduces complexity for us given the high level of customisation in our final products. It's why we are in 50 countries and operate with local supply chains where we can, which also reduces risk. Being set up in this way enables us to maximise value across the entirety of our value chains, which benefits us, our customers, our suppliers, and our shareholders alike.

Q
What are Smiths growth priorities and what most excites you about the road ahead?

The first principle for growth is to meet existing and emerging customer demand for our products whilst ensuring that we can do this as efficiently and profitably as possible. So, each business has targets which seek to maximise opportunities in their current market segments and to grow share organically. It should come as no surprise, therefore, that innovation and commercialisation of new products and ideas has always been one of our key strengths – applying our

3.5%

R&D spend as % of sales.

"Innovation must have a goal and be driven by an identified need in a customer, in a market, or in our own business. It's then important to create the right environment and culture for curiosity and ideas to flourish, to be heard, developed and implemented."

capabilities and domain expertise appropriately whether it's technology, materials science or field service models. Smiths is an IP-rich company and is expert in its practical deployment to create profitable revenue streams, for example as John Crane has done with the dry gas seal and Smiths Detection in the field of aviation security screening over many years.

We also continue to explore opportunities in areas closely adjacent to where we are currently active, or where we have technology or expertise that can be repurposed or extended. John Crane's expansion into the hydrogen and carbon capture, utilisation and storage (CCUS) market segments are good examples of this focused approach. Finally, we will look to acquire businesses in areas that fit Smiths, but where we do not currently have the DNA, and which will augment growth and improve margins. And that's DNA in the broadest sense – technology capability, customer relationships and/or geographical positions. This was most recently demonstrated with the announcement of two strategic and disciplined acquisitions, Modular Metal and Wattco, in September 2024, which enhance Flex-Tek's HVAC and industrial heating businesses.

The road ahead is exciting. We will continue to build on, and out from, solid foundations, which is what we have always done at Smiths.

Q

As an engineer, what's your view on innovation and how does Smiths perform on this front?

We've had some significant successes in recent years – for example Flex-Tek's electrical heating elements to support the manufacture of 'green' steel. But innovation for innovation's sake is worth nothing. Innovation must have a goal and be driven by an identified need in a customer, in a market, or in our own business. It's then important to create the right environment and culture for curiosity and ideas to flourish, to be heard, developed and implemented. This is true for every kind of idea that contributes to our objectives – from an energy efficiency project to a new connector used in space. It's one of the key reasons for our focus on diversity and inclusion. Bringing diverse views into the company and giving all our people the confidence to speak and know that they will be heard is powerful. It really is a team effort.

While our businesses operate independently, we also see opportunities to collaborate more in areas where specialisms align and there is common interest. We've done this previously on digital and, from an operational perspective, we collaborate very successfully in areas such as safety and sustainability – and of course SES is an excellent example of Group-wide collaboration. We are working to replicate this elsewhere – for example in technical collaboration and creativity – without being too prescriptive about what that means. In its purest sense we want to empower our people to seek out and partner with peers from inside and outside Smiths, for example with academia, to develop our core capabilities and, potentially, new and interesting products and services that will sustain our future growth.

Q

How will you allocate capital to achieve Smiths goals?

Our capital allocation policy is unchanged. Our overriding objective is to maintain a strong and flexible balance sheet to support investment in our most profitable growth opportunities.

We prioritise organic growth and, accordingly, we continue to invest in ourselves – so funds for R&D and capex. In a business like ours, the strongest risk-adjusted return will usually come from organic growth. Nonetheless, we typically generate more cash than we can deploy internally, which makes acquisitions an attractive option for amplifying organic strategies. We maintain a disciplined approach to acquisitions as we build our pipeline and actively look for further additions to complement our portfolio.

Finally, direct returns to shareholders. We maintain a progressive dividend and we will continue to return capital to shareholders in an appropriate way if not used for growth.

Q

Why is SES important to the business?

SES is our common, practical approach to delivering continuous improvement in our operations and processes. It has been developed over a number of years as a bespoke set of tools based on Lean and Six Sigma principles that have been adopted across the company as a formal framework to accelerate operational performance.

While embedded most strongly in the more traditional environments of manufacturing, supply chain and customer service, SES tools are available and used by many other parts of the organisation, including for accelerating the delivery of our environmental targets. SES is also great for talent development. We have an expanding network of Green and Black Belt trained colleagues, giving our people additional routes to grow and build careers within Smiths. It is very much a ground up focus these days as it has matured.

Q

How is Smiths progressing on the journey to Net Zero?

While we have very visible commitments on emissions and a framework designed to deliver them, we have a much broader approach to ESG matters. Put very simply, this is to minimise our net impact – that means delivering on our targets, and then seeking other ways to create positive outcomes where we can, whether that's through our energy transition solutions, product design, transparency in our supply chain, or refurbished parts. We know the right answers and, like the good engineers that we are, we are taking sensible and practical steps towards delivering them, which also make business sense. Ultimately this is what our customers are asking for, as well as being important to our people.

Progress against our strategy

Element		FY2024 progress	Outcome	Target achieved
Growth	**Secularly attractive end markets**	– End markets aligned with important megatrends – Through cycle demand growth of 4-5% underpins medium-term organic revenue growth target	Organic revenue growth 5.4%	✓
			EPS growth 8.3%	✓
	Leading businesses	– Industry-leading technology and engineering expertise creates competitive advantage and underpins strong – and in many cases leading – market segment shares	Organic revenue growth 5.4%	✓
			Headline operating profit margin 16.8%	
	Customer relationships	– R&D to create differentiated solutions with customer co-funded/directed investment. £109m R&D spend. – John Crane aftermarket >70% revenue – Smiths Detection aftermarket >50% revenue	Organic revenue growth 5.4%	✓
			Headline operating profit margin 16.8%	
People	**Purpose and Values**	– Smiths Code of Business Ethics reinforced internally and across the supply chain – Smiths Leadership Behaviours rolled out globally – EcoVadis implemented to support delivery of SBTi pathway and more transparent supply chain	Ethics pulse survey 96% positive response to 'I understand how the Code of Business Ethics applies to me'	N/A
	High-performance culture	– My Say survey participation 85% – Active and growing network of employee resource groups – Smiths Group Foundation first awards – Total safety incidents down 15%	Employee engagement 75	✓
			RIR 0.44	
Execution	**Invest behind growth**	– Focused resource allocation to R&D, capital expenditure and M&A to deliver profitable growth and access higher-growth markets with pace	ROCE 16.4%	✓
			R&D % sales 3.5%	N/A
			Two acquisitions completed	N/A
	Operational excellence	– Deliver operational leverage – SES driving margin improvement, cost and working capital management and process efficiency	Organic operating profit growth/ organic revenue growth 1.3x	N/A
			Headline operating cash conversion 97%	✓
			Net Zero Scope 1 & 2 GHG reduction (10.7)%	✓

See our key performance indicators

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Building our culture

Engaging with our people

Our global communications activities are designed to engage colleagues around the world with our purpose and strategy and so reinforce our culture. Key communications materials are translated into our ten core languages. We run a global social and news platform, a fortnightly e-newsletter, hold regular virtual Town Halls and our intranet web portal acts as an online hub for key information, materials and resources.

We undertook a wide range of engagement activities in FY2024 including:

- My Say engagement survey
- Site visits by members of the Executive Committee and Smiths Board
- Global Town Halls in September and March
- Global leadership summits for our extended and senior leadership teams in November, February and June
- Launch of new www.smiths.com website
- One-to-one meetings between Board members and senior leaders
- Live broadcasts and communications around our results announcements and our John Crane investor deep-dive in November 2023

My Say engagement survey

We have been tracking colleague engagement on cultural measures since 2017. Our annual My Say survey is used to surface issues and more precisely understand what we are doing well and where we need to do better, both at a high level and at grassroots level in individual teams.

In FY2024, 85% of colleagues completed the survey and our overall engagement score of 75 was up two points on the prior year. Key strengths were identified as safety; being treated with respect; commitment to the environment; and empowerment. Key opportunities for improvement were identified as offering equal opportunities to succeed; recognition; and career opportunities. Results from the survey and recommendations are reported to, and discussed by, the Executive Committee and the Smiths Board before being incorporated into strategic planning to prioritise action in lower scoring categories. Each business and function have also identified improvement opportunities to work on in the coming year.

Speaking out

Engaging on ethical matters is vitally important, as is colleague trust in our procedures. Our colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our Code of Business Ethics, Policies or inconsistent with our Values. This can be done via internal channels or by using our confidential Speak Out reporting hotline, which is accessible to colleagues and third parties 24 hours a day, seven days a week. Reports to the hotline can be made anonymously. How, when and why to Speak Out is communicated regularly to ensure that awareness remains high.

Our global Ethics Pulse survey delivers rich data on colleague perceptions across Smiths. This data is reported to the Audit & Risk Committee, along with Speak Out data.

Building Smiths culture in FY2024

A healthy culture requires continuous care and attention. Here are some of the ways we built our culture in FY2024:

- Our annual Smiths Day global celebration of Smiths culture took place in June 2024. On the day our teams celebrated our culture and our communities, undertaking many local community projects including tree planting in Pune, India; cleaning the beach in Bontang, Indonesia; and building beds for underprivileged children in Cookville, USA
- We continued our 'internal first' approach to people development and talent progression, with 75% of senior individual contributor roles taken by internal candidates
- Our #WeareSmiths week initiative was delivered at eight target sites featuring engagement, learning, development and support activities
- 555 colleagues participated in our Accelerate leadership development programme, equipping them to build high-performing and impactful teams
- We completed 12 cross-business Lean Management System workshops to embed Lean and build localised SES practice communities
- We held a global Health & Safety conference and launched a new suite of safety Policies
- Our annual Smiths Excellence Awards recognise achievement across a range of disciplines and are enthusiastically supported by Smiths colleagues. This year we had more than 450 submissions to the Awards
- The Smiths Group Foundation made its first grants, worth c.£1m, to 10+ non-profit organisations aligned to our purpose. These were chosen from 94 nominations made by Smiths colleagues. We also launched global volunteering principles which enable every colleague to take one day of paid volunteering leave every year
- Events and communications around the world recognised and celebrated: World Day for Health and Safety at Work; Earth Day; International Women in Engineering Day; International Women's Day; Black History Month; Veterans' Day; and PRIDE

75

Score in My Say engagement survey

↗73 in FY2023

85%

Response rate to survey

↗84% in FY2023

19

Survey scores increased and 0 scores decreased

Read more about the Smiths Group Foundation in our Sustainability at Smiths report

Key performance indicators

Our KPIs include both financial and non-financial metrics.

Alternative Performance Measures (APMs) and KPIs are defined in note 29 of the financial statements.

All measures exclude Smiths Medical, which was sold in January 2022.

Link to strategy

- Growth
- People
- Execution

→ See Our strategic framework page 5

Financial KPIs

Organic revenue growth

Growing faster is the primary driver of unlocking value creation for the Group.

FY2024 progress
We delivered strong organic revenue against a record prior year driven by our two largest divisions, John Crane and Smiths Detection.

Medium-term target

+4-6%

Strategy

Performance

FY2024	5.4%
FY2023	11.6%
FY2022	3.8%
FY2021	(2.2)%
FY2020	(1.0)%

Linked to remuneration
Read more in CEO review of the year.

→ Page 17

Headline operating profit margin[1]

Stronger execution will drive higher margins.

FY2024 progress
We delivered +30bps expansion in headline operating profit margin to 16.8%, while continuing to invest in growth.

Medium-term target

18-20%

Strategy

Performance

FY2024	16.8%
FY2023	16.5%
FY2022	16.3%
FY2021	15.5%
FY2020	12.8%

Linked to remuneration
Read more in CEO review of the year.

→ Page 17

Earnings per share growth

Strong margins will convert revenue growth into earnings growth.

FY2024 progress
We delivered strong EPS growth of +8.3%, driven by operating profit growth and share buybacks; growth was +12.9% when excluding the effects of foreign exchange.

Medium-term target

+7-10%

Strategy

Performance

FY2024	8.3%
FY2023	39.6%
FY2022	17.8%
FY2021	19.3%
FY2020	(27.4)%

Linked to remuneration
Read more in CEO review of the year.

→ Page 17

1 Excludes restructuring costs.

Return on capital employed (ROCE)[1]

Monitoring our return on capital acts as a discipline on both organic and inorganic investment to drive maximum value from our growth.

FY2024 progress
ROCE increased +70bps within our target range, driven by operating profit performance.

Medium-term target

15-17%

Strategy

Performance

FY2024	16.4%
FY2023	15.7%
FY2022	14.2%
FY2021	13.9%
FY2020	12.8%

Linked to remuneration
Read more in CEO review of the year.
→ Page 17

Headline operating cash conversion[1]

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

FY2024 progress
Headline operating cash conversion increased +11pps to 97%, reflecting a marked improvement in working capital.

Medium-term target

~100%

Strategy

Performance

FY2024	97%
FY2023	86%
FY2022	80%
FY2021	129%
FY2020	112%

Linked to remuneration
Read more in CEO review of the year.
→ Page 17

Operational and non-financial KPIs

Gross vitality

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

FY2024 progress
Gross vitality was 28.5%, reflecting continued investment in R&D and new product development.

Medium-term target

30%

Strategy

Performance

FY2024	28.5%
FY2023	31%
FY2022	31%

Greenhouse Gas (GHG) reduction

Meeting our SBTi commitment to deliver Net Zero Scope 1 & 2 GHG emissions by 2040 is a fundamental part of our sustainability strategy.

FY2024 progress
Scope 1 & 2 emissions were down (10.7)% ((14.3)% excluding Heating and Cooling Products (HCP) acquisition) reflecting targeted action during the year.

Target

Net Zero Scope 1 & 2 emissions by 2040

Strategy

Performance

FY2024	(10.7)%
FY2023	(11.8)%

See page 62 for our statement on limited assurance.

Linked to remuneration
Read more in Sustainability at Smiths.
→ Page 32

1 Excludes restructuring costs.

Recordable incident rate (RIR)

Looking after our colleagues in the workplace and keeping them safe and healthy is an essential pillar and our number one focus.

FY2024 progress

RIR increased by 7%, due to the inclusion of Flex-Tek's Heating & Cooling Products business (acquired in August 2023) and an increase in incidents at Smiths Detection's US service operations. Despite this increase, we continue to track below the industry average and in the top quartile of industry performance.

Medium-term target

Zero harm organisation RIR <0.4

Strategy

Performance

FY2024	0.44
FY2023	0.41
FY2022	0.56
FY2021	0.47
FY2020	0.35

Read more
Read more in Sustainability at Smiths.
→ Page 32

My Say survey engagement score

Engaging our people is key to the success of our strategy. We have been tracking employee engagement on a range of important cultural measures since 2017.

FY2024 progress

85% of employees completed the FY2024 survey and our overall engagement score was up two points. Key strengths were safety; being treated with respect; commitment to the environment; and empowerment.

Medium-term target

Upper quartile (75+)

Strategy

Performance

FY2024	75
FY2023	73
FY2022	72
FY2021	71
FY2020	73

Read more
Read more in Building our culture.
→ Page 13

Diversity

We are focused on proactively increasing the number of women in leadership roles at Smiths, with our measure being percentage of senior leadership positions held by women.

FY2024 progress

We are making good progress towards our short-term target and have seen both internal progression and attrition rates for our senior women improve.

Medium-term target

30%

Strategy

Performance

FY2024	27%
FY2023	25%
FY2022	24%

Read more
Read more in ESG metrics, targets and performance
→ Page 62

CEO review of the year

Roland Carter
Chief Executive Officer

I am pleased to report a good performance at my first set of results as CEO. We delivered further progress, with organic revenue growth of +5.4% and a +30bps increase in headline operating profit margin to 16.8%, both in line with guidance, and headline earnings per share growth of 8.3%. We improved headline operating cash conversion to 97% through a focus on working capital. In September 2024 we announced two highly attractive acquisitions for up to £110m, deploying capital in a disciplined way whilst maintaining our strong balance sheet. We are well set for continued delivery in FY2025, and beyond.

During the last six months, we have been reviewing the Group's current strategy to define our future direction. From my 35-year career at Smiths, I have a deep appreciation of the Group's compelling attributes. Smiths has many strengths, and our businesses are well positioned for the future – leading positions in attractive markets, world-class engineering expertise, differentiated proprietary technology, strong brands and talented people united by a purpose-led, innovative and continuous improvement culture.

Effective execution of our strategy has enhanced our performance, but there is more we can do – and we will build on, and out from, this solid foundation. Our strategic priorities around growth, people and execution will remain, although there are a number of important changes:

- We remain resolutely focused on delivering continued profitable organic growth, but we will work harder to focus our innovation and the commercialisation of our new products. In addition, we will increase the importance of moving into new, higher-growth adjacencies with targeted allocation of our R&D resources. Highly disciplined M&A offers additional opportunities. This is demonstrated by the acquisitions announced for Flex-Tek, and we now have a more active acquisition pipeline to accelerate the pace of strategy execution;
- Our talented people and our purpose-led culture serve us well in delivering value for our customers, but the recent foundational work in values, leadership behaviours and culture must make a real long-term difference to how we operate. We will ensure that talent attraction and leadership development initiatives permeate through the Group, benefiting all. We are also taking a more end-to-end approach to improve business-level processes by implementing a global shared business services model which will provide improved cost-effective support; and
- The Smiths Excellence System (SES) is our way of working, and Lean and continuous improvement activities will be driven at the grass roots level, rather than led 'top-down' from Group. In addition, to deliver our operating margin target faster, we are launching a Group-wide Acceleration Plan which identifies a set of business-led transformational initiatives to enhance margin, improve productivity and build capabilities.

We see significant opportunities within all our businesses to deliver substantial additional value creation from this approach.

Strategy update

Compelling portfolio of leading businesses

Our portfolio position is compelling – with resilient and competitively advantaged businesses. Our businesses have independent products, customers and go-to-market models. Even so, they share similar customer-facing capabilities and common characteristics, an opportunity we can, and will, take better advantage of. For example, deep-seated manufacturing and process knowledge, aftermarket service, digital, automation and material technologies are all mutual characteristics we can better leverage to enhance how we support our customers, how we perform, and to create and sustain Group-wide competitive advantage.

Group functions will continue to provide strong, effective oversight and governance. We will improve these by developing and expanding the remit of our global shared business services – to cover all businesses and key support functions in addition to IT, which it already manages in a cost-effective way. We will continue to deploy SES, an important element of which is Lean – reducing waste and improving efficiency to enhance our operations - with Lean leaders at our major sites, maintaining the pace of continuous improvement. This common Group approach takes operational excellence to another level of maturity, alongside talent development and capital allocation, and will ensure consistent strategy execution, optimal capital allocation and cost-effective portfolio management.

Positioned in secularly attractive markets

We are positioned in attractive markets that we believe offer significant opportunities for profitable growth – energy, safety and security, aerospace and defence, general industrial – where we are helping our customers to make the world safer, more energy efficient and productive, as well as better connected. These markets are exposed to positive megatrends:

- Safety and security – in the context of an increasing prevalence of travel and cross-border trade, alongside increasing threats and greater geopolitical instability;
- Energy efficiency – the requirement for energy diversification as well as reductions in emissions, coupled with the rise in infrastructure development;
- Productivity – within the industrial world, the need to manage the use of resources and raw materials efficiently is critical, and will support the development of the circular economy; and
- Better connectivity – the demand for data is continually increasing as the world becomes more connected and computing power expands, requiring new technologies across many sectors.

We will continue to focus on accessing the growth that these markets offer, with a clear view to capturing market share and expanding our addressable markets.

Participation in attractive new market adjacencies to accelerate growth

As well as driving growth in our existing markets, we will look to build out priority adjacencies to accelerate our growth, for example into new sealing solutions and services at John Crane; next generation threat detection at Smiths Detection; electrical industrial process heat at Flex-Tek; and high-speed satellite communications at Smiths Interconnect. Accessing these adjacent opportunities will be done both organically through dedicated R&D spend, and through disciplined M&A, to augment our organic growth focus.

We have a strong balance sheet and the flexibility to support a range of growth opportunities and will continue to allocate capital in a disciplined way for value creation. The priorities here are unchanged – organic investment (R&D and capex) will remain our primary focus, followed by strategic and disciplined M&A, and then returning excess capital to shareholders through our progressive dividend and, when compelling, share buybacks.

As evidenced by the new acquisitions for Flex-Tek, we have a more active acquisition pipeline than historically, providing us with a greater set of opportunities through which we can grow our businesses, but will maintain our strict value creation discipline.

Investing in proprietary technology, differentiated products and service capability

Innovation takes place on many levels within Smiths: new products and services, new ways of manufacturing and new ways of exploiting technology. Our innovation capability and ongoing investment in developing differentiated, proprietary technologies and solutions ensures that we maintain a robust, value-oriented approach to commercialising new products. Our new product pipeline is focused on responding to emerging customers' needs and bringing next-generation technology to market.

We have a high proportion of recurring revenue through our aftermarket and services in John Crane and Smiths Detection, and we are looking at additional ways to improve customer intimacy and capture greater value here; for example through expanded services, as well as digital and software applications. We will also partner with customers to develop solutions to demanding specifications, again leveraging Group-wide skills and experience to better commercialise these types of growth opportunities.

Launching Acceleration Plan to drive Group-wide productivity and capability enhancements

We continue to drive productivity and process improvements and further embed deployment of SES which has delivered tangible benefits and contributed to recent margin expansion. However, we now need to capture the next level of improvements to accelerate the realisation of our medium-term margin target and deliver process improvements for resilience and scalability over the longer term.

To achieve this, and in addition to our planned SES activity, we are now launching a Group-wide Acceleration Plan. This comprises a number of discrete initiatives focused on delivering the next wave of productivity and capability enhancements across all our businesses.

This proposed programme has identified £30-35m of potential annualised benefits, of which around a quarter are planned to be realised during FY2026, with the full benefit in FY2027. Delivering these ongoing savings will result in one-off costs totalling approximately £60-65m, of which approximately £30-35m will be spent in FY2025 and £30m in FY2026, plus an additional £10m of capex in FY2025. Benefits and savings areas are focused on: process, improving organisational effectiveness through simplifying interaction and processes for our customers and our colleagues, and property, through a footprint optimisation review. Where required, we will consult appropriately with colleagues around the planned changes. It is now the right time to invest in these ambitions, to drive operating margin expansion and competitiveness more rapidly as we continue to grow.

Purpose-based and high-performing culture

Delivering on our growth and execution priorities requires the dedication and commitment of all our colleagues; and we are committed to doing more to inspire and empower them. Safety will continue to be our highest priority and we remain committed to maintaining our top quartile performance by elevating the focus on this around the Group even further. Our purpose-based culture is strong, and we continue to evolve our approach where talent development, engagement and inclusion and sustainability all define how we operate. I have worked with, supported and been supported by many colleagues over the years, and I am excited about what the future holds and what we can deliver together.

Reaffirming medium-term targets, underpinned by our performance framework

This focused strategic and operational plan is the means through which we will realise the medium-term financial targets that we previously set. We have again made solid progress against these targets in FY2024 and continue to believe these are the right metrics and set the right ambition.

We are reaffirming these financial targets. In FY2024, we are already within the target range for three of these metrics and are clear on the key actions needed to achieve them for operating profit margin. Each of our businesses has a clear roadmap to improve profitability. Given our investment in growth, we now believe a cash conversion of around 100% through the cycle is more appropriate than 100%+.

Targets	Medium-term target	FY2024
Organic Revenue Growth	4-6% (+ M&A)	**+5.4%**
Headline EPS Growth	7-10% (+ M&A)	**+8.3%**
ROCE	15-17%	**16.4%**
Headline Operating Profit Margin	18-20%	**16.8%**
Headline Operating Cash Conversion	~100%	**97%**

FY2025 outlook

For FY2025, we expect organic revenue growth to be within our medium-term target range of 4-6%. A strong demand backdrop and good order book visibility underpin our positive view for John Crane and Smiths Detection, although growth is expected to moderate from the strong performance seen in FY2024. Good demand in aerospace, alongside the pace of market recovery in US construction, will determine the pace of growth in Flex-Tek, and recovery in semiconductor test alongside growth in aerospace and defence-related programmes underpins our expectation for an improving performance in Smiths Interconnect.

We also expect continued margin expansion in FY2025, reflecting operational leverage, continued deployment of SES and Lean initiatives, and our reinvestment to support future sustainable growth. Headline operating cash conversion is expected to be in the low nineties percent given an increase in capex to around £110m. This will be weighted towards the second half of the year, reflecting timing of machining capacity and automation investments, mainly in John Crane.

FY2024 business performance

Smiths delivered organic revenue growth of +5.4% in FY2024. We generated £526m of headline operating profit, up +7.1% on an organic basis year-on-year and a +30bps margin improvement as we continue to drive growth, improve execution, and invest in our people.

Revenue grew +3.1% on a reported basis to £3,132m (FY2023: £3,037m). This included a (£119m) negative foreign exchange translation impact and +£57m from the acquisitions of Heating and Cooling Products (HCP) and Plastronics.

Growth

Accelerating growth is key to value creation for the Group. We have now delivered three years of organic revenue growth, with momentum improving through FY2024. Organic revenue growth of 3.9% in the first half was followed by 6.8% in the second half.

Strong growth continued for our two larger businesses, with more challenging end market dynamics in our other two businesses, although both returned to growth in the second half:

- John Crane's growth was led by energy, especially in aftermarket, as it executed on its strong order book;
- Smiths Detection's growth reflected strength in aviation, particularly for computed tomography for airport checkpoints;
- Flex-Tek's performance reflected ongoing US construction market headwinds, which more than offset strength in aerospace; and
- Smiths Interconnect's performance reflected weakness in connectors and the semiconductor test end market.

£m	FY2023	Foreign exchange	Acquisitions	Organic movement	FY2024
Revenue	3,037	(119)	57	**157**	**3,132**
Headline operating profit	501	(21)	12	**34**	**526**
Headline operating profit margin	16.5%				**16.8%**

Organic revenue growth (by business)	H1 2024	H2 2024	FY2024
John Crane	+12.7%	+7.1%	**+9.8%**
Smiths Detection	+8.9%	+13.2%	**+11.1%**
Flex-Tek	(4.1)%	+2.6%	**(0.8)%**
Smiths Interconnect	(13.7)%	+0.4%	**(6.5)%**
Smiths Group	**+3.9%**	**+6.8%**	**+5.4%**

Organic revenue growth (by end market[1])	% of Smiths revenue	H1 2024	H2 2024	FY2024
General Industrial	39%	(5.5)%	(1.5)%	**(3.5)%**
Safety & Security	27%	+8.9%	+13.2%	**+11.1%**
Energy	23%	+16.6%	+15.3%	**+15.9%**
Aerospace & Defence	11%	+2.9%	+4.8%	**+3.9%**
Smiths Group	**100%**	**+3.9%**	**+6.8%**	**+5.4%**

Footnotes

1 Our end market allocations have been revised such that Smiths Interconnect's revenue related to aerospace and defence has been moved from Safety & Security into Aerospace & Defence. FY2023 has been restated on this new basis. See note 1 to the financial statements for further information.

Our business operates across four major global end markets: General Industrial, Safety & Security, Energy, and Aerospace & Defence.

- In General Industrial, the decline reflected weaker demand in construction for Flex-Tek's heating, ventilation and air conditioning (HVAC) products and Smiths Interconnect semiconductor test and connectors products, with John Crane's industrial performance flat year-on-year;
- Safety & Security growth reflected Smiths Detection's continued strong delivery against its order book;
- Energy growth reflected robust demand at John Crane and execution against its strong order book; and
- In Aerospace & Defence, new aircraft build programmes drove demand at Flex-Tek which was partly offset by phasing in some aerospace and defence-related programmes in Smiths Interconnect.

Organic growth is supported by new product development and commercialisation. In FY2024, 200bps of growth was delivered from high impact new products including John Crane's next-generation diamond coating product, Smiths Detection's iCMORE and the latest generation of high-speed semiconductor test sockets (DaVinci 112) from Smiths Interconnect. Gross vitality, which measures the proportion of revenues coming from products launched in the last five years, was 28.5% (FY2023: 31%), supported by our successful new product commercialisation.

We also augment our organic growth with disciplined M&A and in September 2024 we announced two acquisitions with a combined value of £95m at an EBITDA multiple of c.8x, enabling expansion in Flex-Tek's HVAC and electrical heating solutions platforms. An additional amount of up to £15m is payable subject to the performance of one of the acquisitions over a three-year period.

- Modular Metal Fabricators, Inc. (Modular Metal) is a US-based metal and flexible ducting manufacturer which expands Flex-Tek's geographical presence in the western US and broadens its product range to include Modular Metal's sealed flexible duct solution. This acquisition builds on our August 2023 acquisition of HCP, which expanded our geographical coverage in North America and added HCP's patented axial and radial seal duct products.
- Through the acquisition of Wattco, Inc. (Wattco), Flex-Tek expands into medium temperature immersion and circulation heating – an attractive market adjacency and highly complementary to our existing open coil electrical heating businesses. This acquisition follows our successful acquisition of SureHeat in 2017. Wattco also brings additional capability in terms of supplying vertically integrated heating solutions and will be integrated into the Flex-Tek heat solutions business.
- The acquisition of Wattco has already completed, while Modular Metal is expected to complete in Q1 FY2025.

Execution

Stronger execution remains a key priority, with an improving financial performance again in FY2024. Headline operating profit rose +7.1% (+£34m) on an organic basis, and +5.0% (+£25m) on a reported basis, to £526m (FY2023: £501m).

Headline operating profit margin was 16.8%, up +34bps on an organic and +30bps on a reported basis, and in line with guidance of continued margin expansion, reflecting operational leverage and efficiency improvements, alongside reinvestment to support future growth.

Headline operating profit margin (by business)	FY2023	FY2024
John Crane	22.6%	**23.2%**
Smiths Detection	11.2%	**11.9%**
Flex-Tek	19.4%	**20.5%**
Smiths Interconnect	16.0%	**13.9%**
Smiths Group	**16.5%**	**16.8%**

Three of our businesses delivered margin expansion:

- John Crane had good operating leverage on the higher sales volume, partially offset by mix impacts from higher systems sales and while continuing to reinvest in capacity expansion, sales and service to support current and future growth;
- Smith's Detection delivered a 70bps increase in margin, reflecting higher volumes and improving operational efficiency in the second half;
- Flex-Tek delivered a higher margin, despite the lower organic revenue, reflecting a positive mix impact and good cost control; and
- Smiths Interconnect posted a margin decline reflecting the lower year-on-year volumes, despite cost control initiatives.

And at a Group level, we invested in several growth initiatives which were funded by the benefits from the Smiths Excellence System and other savings projects, and which offset each other.

ROCE increased +70bps to 16.4% (FY2023: 15.7%) reflecting the higher profitability of the Group, which also translated to growth in headline EPS of +8.3% to 105.5p. This reflected a headline tax charge of £122m (FY2023: £121m) which represents an effective rate of 25.0% (FY2023: 26.0%) and also benefited from the share buyback programme, partially offset by foreign exchange impacts.

The focus on execution also enhanced headline operating cash conversion, which improved to 97% (FY2023: 86%), supported by a year-on-year improvement in working capital. Headline operating cashflow was £509m (FY2023: £433m) and free cashflow generation increased +67% to £298m (FY2023: £178m) or 57% of headline operating profit (FY2023: 35%).

£m	FY2023	Foreign exchange	Acquisitions	**Organic movement**	FY2024
Headline operating profit	501	(21)	12	**34**	**526**
Headline operating profit margin	16.5%	(10)bps	10bps	**30bp**	**16.8%**

SES is one of our key initiatives to enhance execution and support the delivery of our medium-term financial targets. SES projects delivered a £23m benefit to headline operating profit in FY2024 (FY2023: £14m), in line with expectations. SES is the way we work at Smiths and is supported by our cohort of Black Belts (BBs) and Master Black Belts (MBBs). As our first cohort return to leadership roles across the Group, SES learnings are better embedded within the businesses, and to continue this process, new MBBs and BBs have been appointed. In addition, our major sites have Lean leaders in place to continually assess processes and ingrain Lean practices at the local level.

We are also executing well against our ESG framework, with progress against our sustainability metrics, which are now fully incorporated into both our annual and long-term incentives. We continue proactively to manage reductions in the environmental impact of our operations and manufacturing processes.

We have been tracking our environmental performance since 2007 and set new three-year targets in FY2022. Over the three-year period FY2022-FY2024, our Scope 1 and 2 emissions have reduced by 42% – in line with our net zero Greenhouse Gas (GHG) emission targets which were validated by the Science Based Targets initiative during the year. Also over this period, we improved energy efficiency, around 73% of our electricity now comes from renewable sources and we continue to target additional locations for onsite renewable energy installation.

We have set out new targets for FY2025-FY2027. These include new metrics on supplier engagement in support of our ESG commitments and reporting. In FY2024, we engaged a new third-party supplier management platform – EcoVadis – and launched a supply chain due diligence policy which, together, will help us manage supplier relationships to explicitly support our ESG commitments and reporting.

People

Safety, alongside health and well-being, is an essential foundation of our success. Our FY2024 recordable incident rate was 0.44 (FY2023: 0.41), with the increase primarily reflecting the acquisition of HCP, where its safety culture is being aligned with that of Smiths following its integration. Our key focus is on sustainable preventative action including active promotion of a safety culture and engagement, safety leadership, skills and designing out risk and this is reinforced on a daily basis through safety leading indicator activities, comprising peer-to-peer observations and leadership tours. A key event in the year was our three-day global Health, Safety & Environment (HSE) conference which covered topics including safety culture, the connection between SES and HSE, and hazard perception and risk assessment. To supplement the focus on our physical security, we are developing a mental health and well-being strategy which will be deployed in FY2025.

To support talent development, the rollout of Accelerate, our bespoke training programme for senior leaders continued. It is now present in 15 countries, with 555 participants in FY2024; 50% of our leaders have now been trained under the programme. Our commitment to fostering diversity, equity and inclusion with our initiatives on this are further bolstered by active employee resource groups (ERGs) such as the Black Employee Network, Veterans Network, Pride Coalition, Women@Work and Neurodiversity ERGs.

Our people are enthused about engaging with and caring for our communities and in June this year, our annual Smiths Day celebrated our culture and our communities, with many employees volunteering their support for local causes. At the Group level, The Smiths Group Foundation has now made its first grants, totalling c.£1m, to more than 10 charities around the world supporting STEM, safety and connectedness and environmental sustainability.

In combination, these initiatives help to underpin an engaged workforce and a healthy culture which we track and measure through the annual My Say survey. This survey is used to surface issues and more precisely understand what we are doing well and where we need to do better, both at a high level and at the grass roots in individual teams. In FY2024, 85% of employees completed the survey and it was pleasing to see our overall engagement score of 75 was up two points on the prior year.

Environmental metrics	FY2023	FY2024	FY2022–2024	Target FY2022–2024
Energy efficiency[1]	7.9% improvement	**5.9% improvement**	**n/a**	**n/a**
Normalised Scope 1 & 2 GHG[2] emissions reductions[3]	21% reduction	**20% reduction**	**42% reduction 16.4% CAGR**	**5% CAGR**
Absolute Scope 1 & 2 GHG[2] emissions reductions	11.8% reduction	**10.7% reduction**	**22% reduction**	**n/a**
Proportion of electricity from renewable sources	70%	**73%**	**12% increase**	**5% increase 3Y**
Normalised non-recyclable waste[4]	9.8% reduction	**0.1% increase**	**19% reduction**	**5% reduction 3Y**
Normalised water use in stressed areas[4,5]	13.3% reduction	**0.6% increase**	**17% reduction**	**5% reduction 3Y**

Environmental metrics	Target FY2025–2027
Energy reduction[6]	2% in FY2025
Renewable energy	80% by FY2027
Absolute Scope 1 & 2 GHG[2]	17.5% reduction by FY2027
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027
Supplier engagement Scope 3[2]	25% of supplier spend committed to SBTi targets by FY2027

Footnotes

1 The energy efficiency ratio is expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), divided by revenue (excluding price growth within the measurement year), and excludes HCP.
2 Scope 1, 2 and 3 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.
3 Normalised for revenue excluding price increases and excluding HCP acquisition.
4 Normalised to reported revenue
5 Across 10 identified water stressed areas.
6 Year-on-year reduction in absolute MWh consumed (target depending on revenue).

CFO review

Clare Scherrer
Chief Financial Officer

We delivered a good set of financial results in line with our guidance. Organic revenue growth of +5.4% extends our track record and headline operating profit margin increased +30bps to 16.8%. Our headline cash conversion improved to 97%, supported by an improvement in working capital.

Our capital allocation priorities remain unchanged. In FY2024 we increased investment in R&D and capex and acquired HCP in Flex-Tek. Following the period end, we announced two additional acquisitions in Flex-Tek. Lastly, we returned £70m in share buybacks and are recommending a 5.2% dividend increase. Our balance sheet remains strong, providing ample flexibility to support our continued growth strategy.

For FY2025, we are expecting organic growth within our medium-term target range of 4–6% and continued margin expansion."

£109m
Invested in R&D

43.75p
Total dividend

Capital allocation

Our highest capital priority continues to be organic growth, followed by strategic and disciplined M&A, and we have a strong track record of returning capital to shareholders, via dividends and share buybacks. In FY2024, we invested £109m in R&D (FY2023: £113m), of which £73m (FY2023: £73m) was an income statement charge, £14m was capitalised (FY2023: £21m) (primarily next-generation hold and cabin baggage screening and further advancements in our defence portfolio) and £22m (FY2023: £19m) was funded by customers. Partly accounting for the marginal year-on-year decline was the relocation of certain R&D projects to lower-cost jurisdictions, resulting in more efficient R&D spend. In addition, there was a further £41m spend on customer-specific engineering-related projects taking the total spend for FY2024 from 3.5% to 4.8% of sales.

To support new product launches and the strong demand for our existing solutions, we increased capex +6% to £86m (FY2023: £81m). This equates to 1.7x depreciation and amortisation (FY2023: 1.6x). A key project was investment in machining capacity and automation at John Crane, which will continue into FY2025 resulting in Group capex of around £110m for the year.

We spent £64m on the acquisition of HCP in August 2023, a US-based manufacturer of HVAC solutions and post the FY2024 year-end, in September 2024, we announced the acquisitions of Modular Metal and Wattco for £95 million, with up to an additional £15m subject to the performance of one of the acquisitions over a three-year period.

We completed the final £29m of the Group's £742m share buyback programme in the first quarter. In addition, in March, we announced a new share buyback programme of £100m and initiated buying under the first £50m tranche. As guided, we completed the first £50m during September 2024, including £41m during the fiscal year, and £9m during August and September. We have not yet initiated the second tranche.

In line with our progressive dividend policy, the Board is recommending a final dividend of 30.2p, a year-on-year increase of +5.2%, bringing the total dividend for the year to 43.75p (FY2023: 41.6p). The final dividend will be paid on 22 November 2024 to shareholders on the register at close of business on 18 October 2024. 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.

The Company offers a Dividend Reinvestment Plan (DRIP) enabling shareholders to use their cash dividend to buy further shares in the Company – see website for details. To participate in the DRIP, shareholders must submit their election notice to be received by 1 November 2024. Elections received after the Election Date will apply to dividends paid after 22 November 2024. Purchases under the DRIP are made on, or as soon as practicable after, the dividend payment date and at prevailing market prices.

Driving value through effective capital allocation

Our priorities	FY2024
1 Organic investment	**Capex £72m** **R&D £109m**
2 Acquisitions	**Acquisitions spend £65m** (Additional £95m in Sep 2024[1], with earnout of up to £15m over 3 years)
3 Shareholder returns	**DPS +5.2% / Buyback[2] £70m** (Additional £9m in Aug-Sep 2024)

FY2024 leverage of 0.3x

Footnotes see page 23

Net debt

Net debt at 31 July 2024 was £213m (FY2023: £387m) with a net debt to headline EBITDA ratio of 0.3x (FY2023: 0.7x). Net headline finance costs for the year increased by £3m to £38m (FY2023: £35m) principally due to a reduced level of cash balances over the year generating lower interest income.

As at 31 July 2024, borrowings were £659m (FY2023: £654m) comprising a €650m bond which matures in

February 2027 and £123m of lease liabilities. There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 July 2024 were £459m (FY2023: £285m). Together with our $800m (£623m at the year-end exchange rate) revolving credit facility, which matures in May 2029, total liquidity was £1.1bn at the end of the period.

Since the sale of Smiths Medical in January 2022, the Group has held a financial asset reflecting our equity ownership in ICU Medical, Inc (ICU). During FY2024, we sold 2,030,000 ICU shares (8.34% of ICU's issued share capital), with net proceeds of $240m (£187m). After the year end, we sold a further 415,771 shares (1.70% of ICU's issued share capital) with net proceeds of $59.8m (£46.2m). We continue to own less than 1% of ICU and will exit over time.

Statutory results

Income statement and cashflow

The £111m difference (FY2023: £98m) between headline operating profit of £526m and statutory operating profit of £415m reflects non-headline items. The largest of these relate to the amortisation of acquired intangible assets of £49m, a £26m net charge for asbestos litigation in John Crane Inc and £13m of fair-value loss on the ICU contingent consideration. The statutory operating profit of £415m was £12m higher than last year (FY2023: £403m), reflecting the higher headline operating profit. Statutory finance costs were £43m, flat year-on-year (FY2023: £43m).

The statutory effective tax rate was 32.5% (FY2023 37%) and includes a non-headline tax credit of £1m (FY2023 £13m expense). Statutory profit after tax for the Group was £251m (FY2023: £232m) and statutory basic EPS was 72.3p (FY2023: 65.5p).

Statutory net cash inflow from operating activities for the total Group was £418m (FY2023: £293m).

Pensions

During the year, £16m of pension contributions (FY2023: £5m) were made, which relate to funded, unfunded and overseas schemes and healthcare arrangements. Of this, £10m related to the US defined benefit pension plan.

As previously announced, no contributions were made in FY2024 and it is not anticipated that any further contributions will be made to the TI Group Pension Scheme (TIGPS), as the liabilities have now been insured via a series of buy-in annuities. The Group and the TIGPS Trustee are working toward final buy-out of the scheme. The Smiths Industries Pension Scheme (SIPS) is in surplus on the Technical Provisions funding basis, and no cash contributions have been made in the year nor are scheduled to be made. The Group and the SIPS Trustee continue to work together to progress towards the long-term funding target of full buy-out funding.

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 no remaining equity investments. As at 31 July 2024, 60% of the UK liabilities had been de-risked through the purchase of annuities from third party insurers.

Litigation

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

John Crane, Inc. litigation

John Crane, Inc. (JCI) a subsidiary of the Group, continues to actively monitor the conduct and effect of its current and expected asbestos litigation, including the effective presentation of its 'safe product' defence, and intends to resist asbestos cases based on this defence. Approximately 312,000 claims against JCI have been dismissed before trial over the last 40 years. JCI is currently a defendant in cases involving approximately 20,000 claims. Despite these large numbers of claims, since the inception of asbestos litigation against JCI it has had 156 cases and has had to pay awards amounting to approximately $191m. At 31 July 2024, the aggregate provision for JCI asbestos litigation, including for adverse judgements and defence costs, amounted to £220m (FY2023: £204m) expressed at the then current exchange rate. In deciding upon the amount of the provision, JCI has relied on independent expert advice.

Titeflex Corporation litigation

Titeflex Corporation, a subsidiary of the Group in the Flex-Tek business, has received a number of claims in recent years from insurance companies seeking recompense on a subrogated basis for the effects of damages allegedly caused by its flexible gas piping products being energised by lightning strikes. It has also received a number of product liability claims relating to this product, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes. However, some claims have been settled on an individual basis without admission of liability. The continuing progress of claims and the pattern of settlement, together with recent market-place activity, provide sufficient evidence to recognise a liability in the accounts. At 31 July 2024, a provision of £36m (FY2023: £41m) has been made for the costs which the Group expects to incur in respect of these claims. For the Group's litigation provisions, because of the significant uncertainty associated with the future level of claims and of the costs arising out of the related litigation, there is no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

Foreign exchange

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

	Average rates		Period-end rates	
	31 Jul 2024 (12 months)	31 Jul 2023 (12 months)	**31 Jul 2024**	31 Jul 2023
USD	**1.26**	1.21	**1.28**	1.29
EUR	**1.17**	1.15	**1.19**	1.17

Footnotes

1 Value of acquisitions announced in September 2024 with up to £15m earn out over three years.
2 Final £29m from £742m buyback completed in Q1 FY2024, £41m from the first £50m tranche of the £100m buyback announced on 26 March 2024 and completed by 31 July 2024 and further £9m completed in August and September 2024.

Business review

John Crane

Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth H1	Organic growth H2	Organic growth FY
Revenue	**1,133**	**1,079**	**+5.0%**	**+12.7%**	**+7.1%**	**+9.8%**
Original Equipment (OE)	176	169	+4.8%	+0.3%	+17.5%	**+ 9.0%**
Aftermarket	550	487	+12.8%	+22.5%	+14.5%	**+18.3%**
Energy	**726**	**656**	**+10.7%**	**+16.6%**	**+15.3%**	**+15.9%**
Original Equipment	145	145	(0.4)%	+5.0%	+2.7 %	**+3.8%**
Aftermarket	262	278	(5.8)%	+7.4%	(9.2)%	**(1.6)%**
General Industrial	**407**	**423**	**(3.9)%**	**+6.5%**	**(5.3)%**	**+0.3%**
Headline operating profit	**263**	**244**	**+7.7%**	**+18.3%**	**+7.4%**	**+12.4%**
Headline operating profit margin	**23.2%**	**22.6%**	**+60bps**	**+110bps**	**+10bps**	**+60bps**
Statutory operating profit	229	217	+5.5%			
Return on capital employed	25.3%	23.8%	+150bps			
R&D cash costs as % of sales	1.6%	1.7%	(10)bps			

Revenue

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Revenue	1,079	(47)	**101**	**1,133**

John Crane delivered organic revenue growth of +9.8% for the year, as it continued executing against a strong order book. Following double-digit organic revenue growth in the first half, growth moderated to +7.1% in the second half, still a healthy level compared to record-high growth in FY2023. Organic revenue growth was driven by a strong performance in Energy. Aftermarket organic revenue grew +11.1% to make up 72% of sales (FY2023: 71%), whilst OE grew +6.6%.

Reported revenue grew +5.0% to £1,133m, having crossed the £1bn mark in FY2023 for the first time, reflecting the organic growth, partially offset by a negative foreign exchange impact.

In Energy, organic revenue grew +15.9% benefiting from a continued focus on energy security and efficiency, as well as emissions reduction solutions. Regionally, there was a strong performance in the Middle East and Latin America for our advanced seals and gas compression products, as well as service contracts, with an +18.3% growth in aftermarket revenue. Notable contract wins in the year included one with Karachaganak Petroleum Operating B.V. for the provision, service and repair of dry gas seals featuring triple seal technology, and another with a major global energy company in Alberta, Canada to provide industrial seal support services at North America's most efficient integrated hydrocarbon processing site.

John Crane also won several notable energy transition contracts – including one to supply dry gas seals for three supercritical CO_2 compressors of a large-scale blue hydrogen project in the USA, and a significant contract to supply wet seals for almost 100 pumps to a zero-emission electric vehicle battery manufacturing facility, also in the USA. The pipeline of opportunities John Crane is pursuing within energy transition in CCUS, hydrogen and biofuels continues to expand.

In the General Industrial segment, organic growth moderated to +0.3%, with a (5.3)% decline in the second half, following a strong FY2023. Growth in OE, largely driven by water treatment, marine and mining, was partly offset by a small decline in aftermarket sales.

Order intake growth in FY2024 supports our positive outlook in FY2025.

Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Headline operating profit	244	(11)	**30**	**263**
Headline operating profit margin	22.6%			**23.2%**

Headline operating profit of £263m grew +12.4% on an organic basis, resulting in +60bps of margin expansion to 23.2%. This was driven by the increased volumes and good operating leverage, pricing above inflation, and the benefits from SES, partly offset by a negative mix impact and higher investment in growth. This investment to increase capacity and efficiency, including marketing and commercial, are both key to service the strong current demand and propel future growth.

On a reported basis, headline operating profit was up +7.7%, 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.

ROCE was 25.3%, up 150bps, reflecting the headline operating profit growth.

R&D and new product development

Cash R&D expenditure was 1.6% of sales (FY2023: 1.7%), with the decline reflecting the relocation of certain R&D projects to lower cost jurisdictions, resulting in more efficient R&D spend. In addition, the business spent a further 3.6% of sales (FY2023: 3.4%) on customer-specific engineering-related projects for a total investment in new products of 5.2% of sales (FY2023: 5.2%). John Crane's continued investment in R&D is primarily focused on gas compression projects and enhancing the efficiency, performance and sustainability of heavy-duty seals and hydrogen compressors.

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 and customers to develop and bring to market these innovative solutions.

Customers

Energy: mechanical seals and seal support systems and couplings for down- and mid-stream activities (e.g., refineries and pipelines) of energy multinationals and for power generation, including hydrogen and carbon capture

Industrials: mechanical seals, seal support systems and filtration solutions for the chemical, life sciences, petrochemical, water, mining, and pulp & paper industries

Aftermarket: increasing demand for full lifecycle asset management

Ideally positioned to help customers meet their decarbonisation and energy transition objectives

Competitors

Competitors include Flowserve, EagleBurgmann, AES, FSD, A.W. Chesterton, Pall and TM filters

Smiths Detection

Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth H1	Organic growth H2	Organic growth FY
Revenue	**859**	**803**	**+7.0%**	**+8.9%**	**+13.2%**	**+11.1%**
Original Equipment	272	226	+20.3%	+5.7%	+42.9%	**+24.8%**
Aftermarket	323	309	+4.6%	+8.0%	+9.0%	**+8.5%**
Aviation	**595**	**535**	**+11.2%**	**+7.0%**	**+23.4%**	**+15.4%**
Original Equipment	144	164	(12.3)%	(0.1)%	(15.9)%	**(8.4)%**
Aftermarket	120	104	+15.8%	+34.1%	+8.2%	**+20.0%**
Other Security Systems (OSS)	**264**	**268**	**(1.4)%**	**+12.8%**	**(6.3%)**	**+2.6%**
Headline operating profit	**102**	**90**	**+14.1%**	**+10.3%**	**+24.3%**	**+18.0%**
Headline operating profit margin	**11.9%**	**11.2%**	**+70bps**	**+20bps**	**+120bps**	**+70bps**
Statutory operating profit	83	55	+50.9%			
Return on capital employed	9.1%	7.7%	+140bps			
R&D cash costs as % of sales	7.8%	8.4%	(60)bps			

Revenue

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Revenue	803	(30)	**86**	**859**

Smiths Detection delivered +11.1% organic revenue growth, converting its strong order book to revenue, with growth across both market segments, and in both OE and aftermarket.

Order intake grew strongly during the year, reflecting the ongoing demand for airport scanner upgrades and the multi-year defence contracts awarded in OSS which will support revenue growth in FY2025 and beyond.

Reported revenue was up +7.0% reflecting the strong organic growth, partially offset by an unfavourable foreign exchange impact.

In Aviation, organic revenue grew +15.4%, with OE growth of 24.8%, reflecting the continued strong demand for Smiths Detection's latest range of 3D-image computed tomography (CT) machines for cabin baggage, CTiX. Smiths Detection continues to achieve a strong win rate globally in aviation, and to date, has now sold c.1,400 CTiX scanners. Notable wins during the year included Australia, Czech Republic, France, Germany, Japan, Saudi Arabia, the UK and the USA. Contracts awarded to date support production through FY2025, and it is expected that airports' upgrade programme will continue for the next three years.

OSS sales grew +2.6% organically, with a decline in the second half after a robust first half, reflecting a strong performance in defence and urban security, partially offset by weaker ports and borders. Order intake in defence was particularly strong with two multi-year chemical detection contracts awarded, one from the UK Ministry of Defence (for an initial £88 million), and another from the US Department of Defense.

In urban security, Smiths Detection mobile solutions were deployed at a number of high-profile events including security screening at COP28, X-ray screening equipment at the NFL Super Bowl and more than 200 items of equipment at the UEFA Euro 2024 football tournament.

Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Organic movement	FY2024 reported
Headline operating profit	90	(3)	**15**	102
Headline operating profit margin	11.2%			**11.9%**

Headline operating profit increased +18.0% on an organic basis for the year, reflecting the strong organic revenue growth and favourable pricing, as well as the positive benefits of SES and cost actions. This was partly offset by the expansion in field service engineers to support the high installation activity and reflecting the complexity of the CTiX installations, although operational efficiency on this front improved through the second half. Headline operating profit margin of 11.9% was up 70bps on both an organic and reported basis.

Over the medium term, higher margin aftermarket revenue associated with the expanded installed base from new OE sales, continued SES initiatives and a positive mix impact from the new defence contracts are expected to support continued margin expansion.

On a reported basis, headline operating profit was up +14.1%, including a moderate negative foreign exchange translation, with the difference between statutory and headline operating profit reflecting amortisation of acquired intangibles.

ROCE increased by +140bps to 9.1%, driven by the headline operating profit growth.

R&D and new product development

Cash R&D representing 7.8% of sales (FY2023: 8.4%) supports Smiths Detection investment in next-generation detection capabilities and included £20m in customer funded projects (FY2023: £18m).

A notable component of recent R&D spend has been on a pioneering X-ray scanner utilising diffraction technology, which was pre-launched in April. The SDX 10060 XDi inspection technology allows highly accurate material and substance identification based on an object's molecular structure. This scanner can integrate seamlessly with existing baggage handling systems to support airport customs agencies in screening for a range of contraband items, including explosives or narcotics, and can also be deployed in cargo environments. Commercial deployment within aviation requires regulatory certification, which is currently underway. Modest initial sales are first expected in FY2026, at the earliest.

Smiths Detection also benefits from external R&D funding, and during FY2024, was selected for EU funding as part of a consortium to develop new AI-based algorithms for automatic detection of narcotics in passenger baggage, and to develop a maritime customs border control screening system for portable screening technology for shipping containers. It also partnered with the University of Exeter to explore virtual and immersive technology for training people, to enhance its training for X-ray screener personnel, a crucial part of its customer offering.

Customers

Aviation: cargo, baggage and checkpoint screening systems for airports and governments

Ports & borders: high-energy cargo inspection systems

Urban security: integrated screening systems for a broad range of urban situations including public transport, events and municipal settings

Defence: advanced chemicals and explosives detectors for governments with whom we have long-standing partnerships

Competitors

Competitors include Rapiscan, Leidos, Nuctech, Flir, Analogic and Chemring

Flex-Tek

Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth H1	Organic growth H2	Organic growth FY
Revenue	**786**	**768**	**+2.3%**	**(4.1)%**	**+2.6%**	**(0.8)%**
General Industrial	**632**	**624**	**+1.2%**	**(7.6)%**	**+0.8%**	**(3.5)%**
Aerospace	**154**	**144**	**+7.0%**	**+12.1%**	**+9.9%**	**+10.9%**
Headline operating profit	**161**	**149**	**+8.1%**	**+2.6%**	**+5.8%**	**+4.2%**
Headline operating profit margin	**20.5%**	**19.4%**	**+110bps**	**+140bps**	**+60bps**	**+100bps**
Statutory operating profit	135	131	+3.1%			
Return on capital employed	26.6%	26.1%	+50bps			
R&D cash costs as % of sales	0.4%	0.4%	0bps			

Revenue

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Revenue	768	(28)	52	**(6)**	**786**

Organic revenue declined (0.8)% in the year, with growth in H2 of +2.6% showing some recovery following a decline of (4.1)% in H1. Revenue on a reported basis grew +2.3%, supported by +£52m from the acquisition of HCP, which was acquired in August 2023, and despite a negative foreign exchange translation.

In General Industrial, organic revenue was down (3.5)% as a result of a tough comparator last year and US construction market headwinds, which started in the second half of last year and continued through FY2024, impacting HVAC sales. The pace of HVAC revenue recovery in FY2025 will be determined by the pace of market recovery, as mortgage rates moderate and given the meaningful housing inventory deficit in the US.

Flex-Tek's energy efficient solutions for industrial applications expand to the partnership with Midrex to deliver heating solutions that enable the production of commercial green steel. The business has grown and is well placed for future energy-efficient industrial heating projects.

In Aerospace, organic revenue grew +10.9% in the year supported by a strong order book, with the slight moderation in growth in the second half reflecting a strong comparator last year. Demand was buoyant across the year and is set to continue into FY2025.

Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Headline operating profit	149	(6)	12	**6**	161
Headline operating profit margin	19.4%				**20.5%**

Headline operating profit grew +4.2% on an organic basis. The organic operating margin improved by +100bps to 20.5% despite the decline in revenue reflecting tight cost control, especially materials, in the light of the lower volume in General Industrial and a positive mix impact. On a reported basis, headline operating profit and margin increased +8.1% and +110bps, respectively.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangible assets and the provision for Titeflex Corporation subrogation claims.

ROCE increased +50bps to 26.6%, reflecting the headline operating profit growth.

The integration of HCP is progressing ahead of plan, with increased revenue in the year against the challenging construction market background. The acquisition expanded Flex-Tek's presence in the North American HVAC market by extending its customer base, and broadened its product range, including HCP's patented axial and radial seal duct technology.

In September 2024, we announced two strategic and disciplined acquisitions for Flex-Tek.

Building on the HCP acquisition, Flex-Tek is acquiring Modular Metal, expanding its HVAC presence into the western US market and broadening its product offering to include Modular Metal's sealed flexible duct solution.

The transaction is expected to complete in October 2024.

Flex-Tek acquired Wattco, expanding our heating portfolio into a wider range of industrial electric heating products, including medium temperature immersion and circulation heating, which are highly complementary to our existing open coil electrical heating business.

R&D and new product development

Cash R&D expenditure grew in line with sales, remaining at 0.4% of sales (FY2023: 0.4%). R&D is focused on developing new products for the construction and aerospace markets, and new electrification opportunities within industrial markets.

Customers

Heating, ventilation and air-conditioning (HVAC): full range of heating elements, gas piping, flexible and metal ducting for HVAC systems

Aerospace: full range of rigid and flexible, high- and low-pressure tubing and ducting for fluid conveyance in aerospace applications

Industrial: specialist products including medical and industrial hoses and a broad range of heating elements for applications in industrial market segments

Competitors

Competitors include Parker-Hannifin, Eaton, OmegaFlex, Warren, Watlow and Southwark Metal

Smiths Interconnect

Financial performance

	FY2024 (£m)	FY2023 (£m)	FY Reported growth	Organic growth H1	Organic growth H2	Organic growth FY
Revenue	**354**	**387**	**(8.4)%**	**(13.7)%**	**+0.4%**	**(6.5)%**
Headline operating profit	**49**	**62**	**(20.9)%**	**(33.3)%**	**(2.1)%**	**(17.8)%**
Headline operating profit margin	**13.9%**	**16.0%**	**(210)bps**	**(370)bps**	**(40)bps**	**(190)bps**
Statutory operating profit	46	50	(8.0)%			
Return on capital employed	10.4%	13.3%	(290)bps			
R&D cash costs as % of sales	6.2%	6.3%	(10)bps			

Revenue

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Revenue	387	(14)	5	**(24)**	**354**

Smiths Interconnect's organic revenue declined (6.5)% in FY2024, reflecting weakness in the semiconductor market and a slower market in connectors, resulting in part from customer destocking. Performance improved incrementally through the year, with a (13.7)% organic decline overall in the first half, improving to marginal growth in the second half.

Reported revenue decreased (8.4)% reflecting a negative foreign exchange impact, partially offset by a £5m contribution from Plastronics which has broadened the semiconductor product portfolio and provided greater exposure to the US and wider industrial end markets.

The performance in connectors reflected a strong base comparator, customer destocking and some weakness with medical and industrial customers. In the semiconductor market, the longer than expected downturn is now reversing, with increased activity levels and growth in orders. This growth, together with good growth in aerospace and defence-related programmes and a robust pipeline of new product introductions underpins our expectation for an improving performance as we progress through FY2025.

Operating profit and ROCE

£m	FY2023 reported	Foreign exchange	Acquisitions	Organic movement	FY2024 reported
Headline operating profit	62	(2)	(0)	**(11)**	49
Headline operating profit margin	16.0%				**13.9%**

Headline operating profit declined (17.8)% on an organic basis, resulting in a (190)bps reduction in headline operating profit margin to 13.9%. The decline was primarily driven by the lower volume alongside mix effects, with continued investment in R&D, which more than offset pricing, SES benefits and the impact of cost control initiatives. On a reported basis, headline operating profit declined (20.9)% and statutory operating profit declined (8.0)%.

The difference between statutory and headline operating profit reflects the amortisation of acquired intangibles and acquisition-related costs.

ROCE reduced (290)bps to 10.4%, driven by the lower operating profit.

R&D and new product development

Cash R&D expenditure as a percentage of sales was 6.2% of sales (FY2023: 6.3%). R&D is focused on developing new products that improve connectivity and product integrity in demanding operating environments. A recent success has been the DaVinci 112, the next generation of its high-speed semiconductor test sockets. It is designed for testing some of the most complex functionality of integrated circuits at the highest speeds and is used by leading AI and GPU semiconductor manufacturers.

Product launches during the year included a high-density electrical connector for the medical market and a new series of fixed attenuators and Thermopad® products for use in space, defence and aerospace applications.

Smiths Interconnect also launched the Mini-Lock Connector, the next generation radio-frequency connector which delivers high-reliability performance in mission-critical sectors such as satellite, aerospace and defence.

To address the critical issue of power loss in electric battery systems and solutions, Smiths Interconnect launched its new Hypertac Green Connect™ technology which has improved contact points, creating a more efficient and higher-performing battery.

Space grade products are a key development focus particularly in radio frequency and optical products. During the year, Smiths Interconnect received funding of around £2m from the UK Space Agency to help enhance its Dundee-based Space Qualification Laboratory, which simulates the extreme conditions of space to assure the quality and durability of space components.

Customers/business units

Connectors: high-reliability electrical interconnect solutions for specialised applications across a broad range of healthcare, industrial, transport, defence and aerospace customers

Semiconductor test: test socket and probe card solutions for a broad range of chip manufacturers who require higher-performing applications (graphics processing, artificial intelligence and data communication)

Fibre-optics and radio frequency (RF) components: broad range of devices, including transceivers for demanding high-reliability environments, especially with space and aerospace customers

Electronic subsystems: antenna systems and multi-function RF systems for aerospace and defence customers

Competitors

Competitors include Amphenol, TE Connectivity, Molex, Samtec, Glenair, Anaren, Leeno and Winway

Sustainability at Smiths

We organise our ESG commitments, objectives and reporting in our ESG framework. In FY2023 we undertook a double materiality assessment (DMA) to identify our most material ESG issues and test the framework. Read more about the DMA on www.smiths.com

Our top five material ESG topics (M)

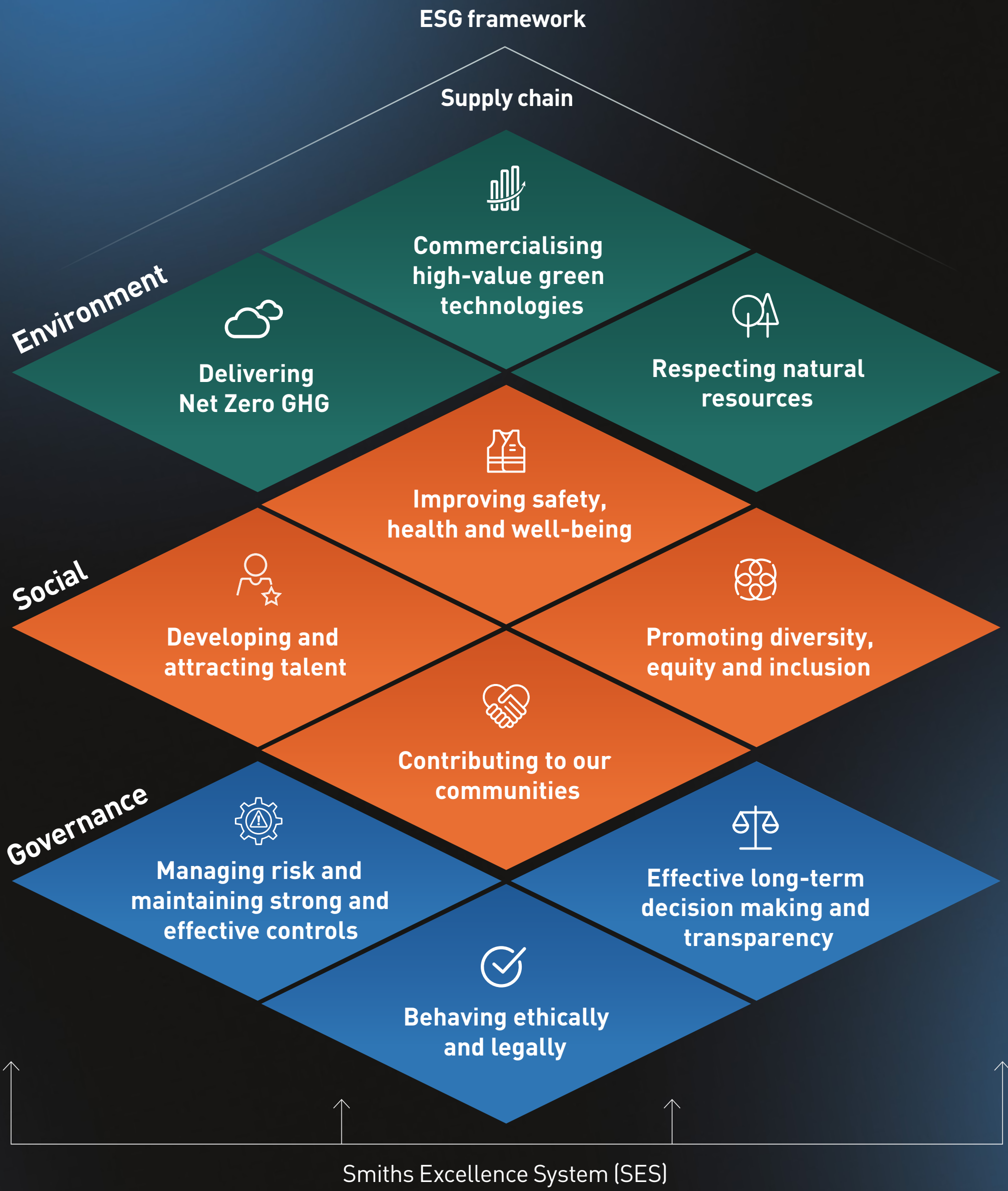
Improving safety, health and well-being
- Most material topic for Smiths
- 15% reduction in total number of incidents
- 71 sites with ISO 45001 certification
- Over 17,000 safety look out observations and leadership tours
- Launched new Health, Safety and Well-being Policy

Commercialising high-value green technologies
- Strong and growing portfolio of green technologies
- John Crane now present in approximately 70 energy transition-related hydrogen and CCUS projects

Delivering Net Zero GHG
- Net Zero transition plan validated by the Science-Based Targets initiative (SBTi)
- Scope 1 & 2 emissions down (10.7)% in year
- Renewable electricity 73% of total use
- Accelerated roll out of electric vehicles
- Linked to remuneration

Supply chain
- Moving to standardised and disciplined approach to supplier management across Smiths
- Invested in EcoVadis supplier management platform and launched ESG Supply Chain Due Diligence Policy
- Set targets for % of supplier spend evaluated by EcoVadis and % of suppliers with SBTs

Behaving ethically and legally
- No human rights issues identified
- Ethics and compliance workshops held in India and Latin America
- 283 Speak Out reports



Read more about the Sustainability at Smiths framework in our FY2024 Sustainability at Smiths report

Improving safety, health and well-being Ⓜ

Looking after our colleagues in the workplace and keeping them safe and healthy is an essential pillar and our number one focus. It is our most material ESG topic. We target continuous improvement in our performance and a culture of care that emphasises health and well-being alongside physical safety. This means systematic analysis of data, proactively designing and investing for safety and health, and strengthening our global and local safety cultures.

Managing safety

We have a common framework for health, safety and well-being management and evaluation across Smiths which enables us to evaluate objectively performance and management practices in our pursuit of zero-harm environments.

We have health and safety policies and standards that all Smiths operations are required to follow and each business sets annual safety goals and targets. We strive to be a zero harm organisation and set targets that progressively step us down to this, our current Group RIR target being <0.4. All operational sites with over 100 colleagues are required to be certified (or working towards certification) under ISO 45001 safety standards.

Safety starts with leadership. Each Business President has overall responsibility for safety and line leaders are accountable for the health, safety and well-being of the colleagues that they manage, with a duty to promote and enforce our policies and training. Smiths colleagues at all levels have a personal responsibility to take due care of themselves and their colleagues and to follow our rules and standards. The Board oversees safety matters and receives regular reports.

We provide robust safety materials and task- or site-appropriate personal protective equipment (PPE) and training to ensure that they have the skills and knowledge to fulfil their responsibilities. Safety and compliance with our standards are managed locally by our business Health, Safety & Environment (HSE) specialists, with responsibility for safety culture and performance held by our site and business leaders. Performance against standards is overseen by our audit processes. The VP Group HSE collaborates with the HSE Operations Committee (made up of representatives from across Smiths) to set our priorities and training and HSE communications.

When someone gets hurt, we look closely to identify root causes and prevent recurrence, but our primary focus is on sustainable preventative action including active promotion of a safety culture and engagement, safety leadership, skills and designing out risk.

Safety measurement and performance

We had 71 recordable injuries in FY2024 vs 64 in FY2023 and our RIR increased by 7%. This increase was mainly due to the inclusion of Flex-Tek's HCP business (acquired in August 2023) in FY2024 data and an increase in incidents in Smiths Detection's US service operations. Despite this increase, our RIR continues to track below the industry average and in the top quartile of industry performance[1]. Our total number of incidents was down 15% and we recorded a 35% reduction in potentially serious near misses, showing the impact of our risk reduction activities. We recorded zero work-related colleague or contractor fatalities in FY2024 and 4 serious injuries. There were zero recordable incidents with our non-supervised contractors[2]. We received three fines of more than $10k relating to two incidents at John Crane and Flex-Tek US sites.

We recognise that all incidents have a personal impact and all sites work hard to continuously improve performance. We expect an improved performance at HCP as Smiths safety culture and practices bed into the business. Smiths Detection has implemented a focused safety strategy with three pillars (accountability, competency and safety assurance) to address the specific challenges seen at customer sites.

Key actions/activities in FY2024

- Launched new Health, Safety and Well-being Policy and refreshed Health, Safety and Environmental Management Systems Policy and Health, Safety and Environmental Reporting Policy
- Continued focus on hand safety (cause of around one third of injuries) through promotion campaign, machine guarding and lockout, tagout (LOTO) programme resulting in a 32% reduction in hand and finger-related incidents vs FY2023
- Grew site leader participation in safety look out observations and tours
- HSE Conferences (global, business and China)
- Development of mental health and well-being strategy focusing on process improvements and a culture of care, to be completed in FY2025
- Integrated mental health and well-being resources into #WeAreSmiths development week content

Recordable incident rate (RIR)
Per 100 colleagues

FY2024	0.44
FY2023	0.41

Lost time incident rate (LTIR)
Per 100 colleagues

FY2024	0.21
FY2023	0.14

84
Highest favourable score for Smiths is committed to safety in My Say survey

Ⓜ Material ESG topic

Footnotes

1 Based on US Bureau of Labor Statistics/US Department of Labor Statistics for total recordable incident cases.

2 Non-supervised contractors conduct non routine work at Smith sites and are not supervised in a day to day capacity by a Smiths employee.

Commercialising high-value green technologies (M)

Our unique engineering capabilities and pioneering spirit position us strongly to support customers in multiple industry sectors as they seek to decarbonise and deliver next-generation efficient and sustainable infrastructure and processes. Applying our capabilities to innovate and develop practical, commercial solutions that solve customers' environmental needs is a key vector for growth.

Sustainability solutions

Ambitious global commitments to Net Zero and other environmental matters are driving profound transitions and demand for innovative solutions across the markets we serve. The need to cut global emissions is driving greater energy efficiency in all sectors as well as accelerating the adoption of electrification and alternative/low-carbon fuels. Eliminating waste, improving sustainability and ensuring natural resources and environments are used and inhabited sensitively is a growing requirement. Circular economy and service solutions are gaining traction to reduce environmental footprint, waste and cost.

Our portfolio of green technologies is strong and growing and is enhanced by existing capability – such as John Crane seals – leveraged in new and adjacent market segments.

Each of our businesses has active development projects that address customer needs for sustainability performance. Top growth programmes are identified as part of our strategic planning processes and are accelerated for investment and launch.

Commercialisation of these programmes is overseen by the Executive Committee and the Innovation, Sustainability & Excellence (ISE) Committee of the Board, which holds regular innovation deep-dives with our business teams.

Read more about the distribution of Smiths green technology on page 52.

Key actions/activities in FY2024

- John Crane now present in approximately 70 energy transition-related hydrogen and CCUS projects
- John Crane contract to supply dry gas seals for three supercritical compressors in a large-scale blue hydrogen plant in Texas, USA
- John Crane contract to supply wet seals for almost 100 pumps at an electric battery manufacturing facility in Tennessee, USA
- John Crane partnership to provide dry gas seals and filters for CO_2 compressors on the world's largest offshore CCUS facility, Malaysia
- Expansion of Smiths Detection CTiX scanner fleet which uses up to 20% less electricity than alternative systems
- Continued innovation in Flex-Tek's range of building efficiency products including refrigerant line sets and insulated ducts
- Launch of Smiths Interconnect Hypertac Green Connect™ technology to reduce power loss in industrial batteries

Markets and sustainability megatrends
Read more on our markets and sustainability megatrends
→ Page 4

3.5%
R&D spend in FY2024

(M) Material ESG topic

Delivering Net Zero GHG (M)

In FY2022 Smiths committed to ambitious Net Zero targets that align us with the UN's critical global climate objectives and the ambition to limit global warming to 1.5°C. We signed the 1.5°C Business Ambition under the UN Race to Zero, covering Scope 1, 2 and 3 GHG emissions in FY2023 and our Net Zero/climate transition plan was validated by the SBTi in FY2024.

Our transition plan describes how, through consistent focus and targets across all aspects of our business, we will deliver Net Zero emissions from our operations (Scope 1 & 2) by 2040 and our value chain (Scope 3) by 2050.

Path to Net Zero

For Scope 1 & 2 our critical path is based on energy efficiency, green electricity and alternative fuels. For Scope 3 our critical path is based on supplier engagement and reporting, supplier science-based targets and external transition including grid decarbonisation.

The principles driving our paths are:

- Granular understanding of all contributing sources and focus on data quality and integrity
- Balanced portfolio of actions with energy saving activities as the foundation
- Bespoke emission reduction plans for each of our businesses working within agreed Group priorities and energy preference hierarchy
- Action material decarbonisation opportunities to frontload our trajectory
- Supplier engagement and due diligence implementation
- Focus on emissions from Smiths Detection products in use
- Use SES tools to expedite projects
- Embed decarbonisation plans into business planning and budget cycles
- Group action as appropriate, e.g. procurement activity; resource and IT investment
- Understand risks/challenges to maintain flexibility
- Share best practice
- Colleague engagement and culture change

Our Streamlined Energy and Carbon Reporting (SECR) disclosure is provided on page 63.

Key actions/activities in FY2024

- Met annual energy efficiency and Scope 1 & 2 reduction targets
- Set new three-year Scope 1 & 2 reduction targets FY2025 to FY2027
- Net Zero targets validated by SBTi
- Expanded data disclosures significantly
- Developed site energy inventories to enable targeted action
- Central and in-depth understanding of renewable energy across the estate to enable decision-making
- Introduction of data dashboards
- Implemented EcoVadis supplier assessment and management system
- Accelerated roll out of electric vehicles from 17 to 112 (10% of fleet)
- Transition to global travel booking platform that supports emissions reporting and user ability to choose more environmentally friendly travel options

→ **Read our full Net Zero/climate transition plan on www.smiths.com**

→ **Read more about our performance and targets on page 62**

↙ **(10.7)%**
Absolute Scope 1 & 2 GHG reduction

73%
Renewable electricity

77
Favourable score for commitment to environment in My Say survey

(M) Material ESG topic

Supply chain Ⓜ

We purchase materials, components and some finished goods from many suppliers across the world. Our businesses, in turn, form part of the supply chains of our customers. Confidence, transparency and the ability to effect change in these networks is critical to manage risk and make progress on all aspects of ESG. We want and need to work with suppliers and other partners who are aligned with our Values and that share and can support our and our customers' ESG commitments.

Responsible procurement

Our commitment to behaving ethically, legally and positively in society requires a similar commitment from our suppliers. Our Supplier Code of Conduct makes our expectations of suppliers and sub-suppliers clear when it comes to ethical behaviour and compliance with the law, treatment of personnel, and materials from socially and environmentally responsible sources. Suppliers are required to adhere to the Supplier Code and have access to our Speak Out system should it be needed. New suppliers are subject to due diligence checks in the form of an ethics and compliance questionnaire, with responses reviewed by our divisional procurement teams. We have a supplier onboarding process to assess risk and ensure that suppliers can meet our standards and we undertake risk reviews and regular audits of them.

In FY2024 we invested in a new third-party supplier management platform – EcoVadis – and launched an ESG Supply Chain Due Diligence Policy which together, will help us manage supplier relationships to explicitly support our ESG commitments and reporting. See page 62.

Key actions/activities in FY2024

- Implemented EcoVadis supplier management platform and invited suppliers to participate
- Agreed FY2025 to FY2027 headline supply chain targets (% of suppliers by spend on EcoVadis and % of suppliers by spend committed to SBTi)
- Launched ESG Supply Chain Due Diligence Policy
- Updated Supplier Code of Conduct online training module, to include additional highlights for Smiths human rights and anti-modern slavery requirements
- Rolled out new online human rights training
- Engaged independent third-party auditor to conduct human rights assessments of top ten suppliers in India by spend
- Annual internal HR human rights risk assessment targeting our sites in Colombia, Puerto Rico and South Africa
- Conducted internal risk assessment for compliance with EU Deforestation regulations
- Conducted internal human rights risk assessment of HR practices and supply chains, for select LATAM countries

50%
Top 50% of suppliers by spend invited to EcoVadis platform

Ⓜ Material ESG topic

Behaving ethically and legally Ⓜ

Behaving ethically and with integrity is a fundamental part of our culture. We also operate in some highly regulated markets and sectors, which require strict adherence to local and international industry regulations. We have expert teams in place to manage these matters and we use data and other intelligence objectively to identify relative performance gaps and emerging risk, and continually target improvements in our procedures.

Governance and implementation

The Smiths Code of Business Ethics (the Code) is the foundational document that outlines the standards of behaviour to which we all commit at Smiths. It is a practical guide to what 'doing the right thing' looks like when conducting business and relationships legally, ethically and with integrity. The Code is supplemented by a suite of policies, procedures and training relating to specific ethics, compliance and people matters.

Speaking out

Engaging and communicating on ethical matters is vitally important, as is colleague trust in our procedures. Colleagues and business partners are expected to be vigilant and report any activity or behaviour – whether in our business or those of our partners – that they consider may be in breach of our Code and Policies or inconsistent with our Values. This can be done through their line manager, HR representative or the Legal team, or by using our confidential Speak Out reporting hotline, which is accessible 24 hours a day, seven days a week to colleagues and third parties. Reports to the hotline can be made anonymously.

Human rights

We consider violations of human rights to be appalling crimes. Conduct that exploits workers or denies them the rights and benefits to which they are legally entitled is wholly inconsistent with our Values and policies and is not tolerated. We recognise the important responsibility we have, and we support the vision of a world where everyone can access decent work and enjoy their universal human rights. We have not identified any serious human rights issues in our operations or in those of our suppliers in FY2024.

Our Human Rights Policy is guided by the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We adhere to national laws and regulations in our markets and, should we encounter conflict between internationally recognised human rights and national laws, we will seek ways to honour the principles of international human rights. All persons working for, or on behalf of, Smiths are required to adhere to our Policy and approach.

Our Human Rights Policy covers the following areas:

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

We have a supply chain human rights and modern slavery working group, comprising procurement leaders to continue to enhance awareness and drive positive, preventative actions in our supply chain. All staff across Smiths are trained on modern slavery risks.

Anti-bribery and anti-corruption

Bribery and corruption matters are covered by the Code of Business Ethics. We also have specific policies and procedures relating to activities that create bribery and corruption risks, and an umbrella Anti-corruption Policy that provides a single view of our approach. These policies cover a broad range of matters including the giving and receiving of gifts, meals and hospitality; invitations to government officials; our approach to facilitation payments; and controls around the appointment of distributors and agents, customs brokers and freight forwarders. Our ethics dashboard enables us to interrogate our register of gifts, meals and entertainment in an effective and useful way.

Key actions/activities in FY2024

- Updated internal training modules for dawn raids, anti-bribery and anti-corruption, Code of Business Ethics, modern slavery, data protection and trade diversion risks within international trade compliance
- Held ethics and compliance workshops with colleagues in India and Latin America (nine countries)

Read our Code of Business Ethics

72
Favourable score for ethics (lives the company Values) in My Say survey

283
Number of Speak Out reports

Ⓜ Material ESG topic

Other ESG topics

	Our approach	Progress during FY2024
Respecting natural resources	Natural resources are finite. We believe that all businesses have a responsibility to use them respectfully and safely – this includes responsible sourcing and minimising consumption as well as preventing environmental pollution and biodiversity impact. Our longstanding commitment to non-GHG resource targets, environmental standards and stewardship are both the right thing to do and valued by our customers as they seek to manage their own environmental footprints.	– Met all FY2022 to FY2024 environmental targets – Set new three-year targets FY2025 to FY2027 for water, waste, circularity and biodiversity – Increased focus on data quality and integrity – Expanded significantly data disclosures on water and waste – Implemented EcoVadis supplier assessment and management system – Conducted internal risk assessment for compliance with EU Deforestation regulations – Undertook top-down biodiversity risk assessment – Published Biodiversity statement – Launched new Environmental Sustainability Policy – Launched new Water and Waste Policies – Launched new ESG Supply Chain Due Diligence Policy – Refreshed Health, Safety and Environmental Management Systems Policy – Refreshed Health, Safety and Environmental Reporting Policy
Developing and attracting talent	The passion and expertise of Smiths colleagues have driven our business forward for more than 170 years. Their talent and leadership are critical for our future. We have a broad and diverse pool of talent to choose from and our successful internal first approach means giving all colleagues opportunities to develop their knowledge and skills, reach their full potential, and build a career at Smiths. Creating an environment and infrastructure that achieves this is also the key to attracting the right people to Smiths, whether young people at the beginning of their working lives, or experienced specialists should there be a gap to fill.	– Launched bespoke 'Leading Successful Change' on-demand programme – Introduced Part-Time Working Policy – #WeAreSmiths learning and development weeks focused on culture and behaviours were held in 8 locations – Joint John Crane and Smiths Detection learning and development week with over 40 hours of learning opportunities and 2,200 unique participants – Grew Veterans network and signed UK Armed Forces Covenant – Trained 25 Accelerate Fundamentals and 13 Accelerate Advanced cohorts – taking total number of frontline and senior leaders trained to 850 in the last three years – Introduced leader-led learning workshops to share knowledge and build relationships within our extended leadership team – Completed 12 cross-divisional Lean Management System workshops to embed Lean and build localised SES best practice communities – Initiated 'mentoring circles' for talent pipeline
Promoting diversity, equity and inclusion	Smiths colleagues represent dozens of nations, speak a multiplicity of languages, and have many different perspectives. We embrace these differences and advocate actions and behaviours that promote inclusive and supportive work environments where all colleagues can be the best version of themselves. We value all aspects of diversity, and we know that when colleagues feel included and appreciated, Smiths will thrive, benefiting both our people and the company.	– Equity pay audit activity transitioned to business as usual – Reviewed all job descriptions and job advertisements for inclusive language – Held global, regional and university events to promote Smiths to diverse talent – Conducted listening roundtables with senior women leaders and women engineers (75% of targeted cohort participated) to shape diversity initiatives – Implemented #EmpowerYou workshops for senior engineering and early career female colleagues (372 participants in 19 countries) – Restarted 'Restart@Smiths' programme for career returners in key countries – Introduced Part-Time Working Policy

	Our approach	Progress during FY2024
Contributing to our communities	We aim to contribute positively to our communities and society in general. Smiths products and services support critical global industries where we are creating social and environmental value by making the world safer and improving sustainability performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. We also engage directly through fundraising, charitable giving and education initiatives. Healthy and prosperous communities and supportive relationships with them inspire and promote a sense of pride and ownership in our people.	– Formally launched the Smiths Group Foundation and made first round of grants to 10+ organisations – Introduced global colleague volunteering principles which enable every colleague to take one day of paid volunteering leave a year – Smiths Day focused on celebrating our culture and communities – Introduced formal budgeting opportunities for charitable giving in our divisions, China and Group to enable continued support for local organisations that fall outside of the scope of the Smiths Group Foundation
Effective long-term decision making and transparency	Good quality, ethical and effective decision-making builds sustainable businesses and enables them to create long-term value for all stakeholders. Our overall governance framework provides the structures and systems through which our strategies and objectives are set and achieved, how risk is monitored and managed via controls, and how our performance is managed and optimised with appropriate oversight from the Board. The framework ensures that we make effective long-term decisions where the interests of all stakeholders are appropriately balanced.	During the year the Board or Board Committees covered the following ESG-related topics: – Strategic opportunities arising from the energy transition/decarbonisation – New product development (NPD) including green products – Net Zero/climate transition plan and Science-Based Targets – Environmental performance and targets – Upcoming regulatory frameworks including CSRD, EU Taxonomy and TNFD – People strategy – Safety performance – Talent processes – Alignment of remuneration with environment targets – Speak Out reports
Managing risk and maintaining strong and effective controls	Continual assessment and management of risks, and assurance through internal controls, is an integral part of day-to-day operations at Smiths.	– Refreshed Group Policies as appropriate including anti-trust, facilitation payments, charitable donations, political activities, gifts, meals and hospitality between co-workers, anti-corruption and Speak Out – Conducted an internal assessment of anti-trade diversion controls within international trade compliance, with a focus on Russia diversion risks

Risk management

We operate across a number of markets and geographies, which expose us to risks and uncertainties that may be specific to our operations, or beyond our control.

We understand the risks we face and take a proactive approach to risk management which maximises opportunities, drives better commercial decision-making, and protects our people and our businesses.

Risk governance

Effective risk governance is essential to the achievement of our strategic objectives, and the Board has established the level of risk we are willing to accept in pursuit of these ambitions. The Board also ensures appropriate oversight and monitoring through a number of mechanisms, including strategy reviews, Committee meetings, management reports and focused reviews of selected risk areas. This top-down approach helps to define the Group's culture and attitude towards risk at all levels of the business.

Enterprise risk management (ERM) roles and responsibilities

3rd Line of defence	**Board**	– Approves the strategy and sets the culture and risk appetite of the Group – Monitors through Board processes and good governance
	Audit & Risk Committee	– Reviews and assesses the effectiveness of the Group's ERM framework and financial and non-financial internal control systems
	Internal audit	– Provides independent and objective assurance on internal controls, programmes, systems and risk management processes – Facilitates the ERM process and provides site-based controls and assurance reviews of key programmes, processes and systems
2nd Line of defence	**Executive Committee and senior management**	– Design and establish risk management and internal control systems – Ensure that the risk appetite of the Board is understood by risk owners and decision makers – Ensure risks are adequately managed – Conduct an annual assessment of strategic risk
	Risk and compliance functions	**Monitoring and compliance** – Develop and manage the ERM process – Monitor risks and controls – Develop and manage policies and control frameworks – Ensure financial, legal and ethical compliance – Ensure security, quality, and health and safety
1st Line of defence	**Business management**	**Risk ownership and mitigation** – Identify, manage and escalate risks – Set business strategic objectives – Establish and apply internal control systems – Escalate issues to the Executive Committee as required
	Operational teams	**Conducting business activities in accordance with Group policies and standards** – Understand roles and responsibilities – Comply with policies – Follow risk management processes

The Group's ERM framework is the responsibility of the Executive Committee who ensure that it is effectively deployed throughout the Group. Our ERM process supports open communication on risk between the Board, the Audit & Risk and Executive Committees, our businesses, functions and sites. It enables us to manage and monitor the risks which could threaten the successful execution of our strategy and ensures our strategic, financial, compliance and operational risks are appropriately considered by the Executive Committee and by the Board.

Running a business involves the continual assessment and management of risks – it is an integral part of day-to-day operations within our business and functional teams who both manage and report on risks. They identify new and emerging risks, escalate where appropriate, and take action to ensure risks are managed as required. Our businesses also conduct annual assessments of the risks they face. In FY2024 these were updated to ensure that the latest views were presented and considered.

During FY2024 the Executive Committee agreed the ERM timetable, and the risks selected for deep-dive discussions at Executive, Audit & Risk Committee and Board meetings. These were: major programme execution; inventory; supply chain; cyber; and legal and compliance. The Group's list of principal risks was also discussed and recalibrated by the Executive Committee with Organic Growth being removed as a principal risk as it is now embedded within our commercial and technology risks.

The following items relating to our principal risks were also discussed at Board, Nomination & Governance, Remuneration & People and Innovation, Sustainability & Excellence Committee meetings during FY2024: organic growth and financial performance; tax, treasury, liquidity, pensions and insurance; geopolitics; cyber security, artificial intelligence and technology; health and safety; acquisitions; litigation; our people strategy; and ESG matters.

In addition, a further 16 risk workshops were facilitated at operational sites during the year to support the bottom-up view of risk that has fed into divisional and functional risk assessments.

In line with requirements for risk owners to demonstrate how they provide assurance that controls are working effectively, examples have been provided as part of our principal risk descriptions starting on page 42. In response to recent amendments to the UK Corporate Governance Code, we have initiated a comprehensive review and assessment of all material controls that mitigate our principal risks. This initiative encompasses an evaluation of the levels of assurance provided by our various lines of defence. As part of this process, climate change risk was chosen as a pilot, and the findings were presented to the Audit & Risk Committee. We will extend this review process throughout FY2025.

Emerging risks

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

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

The Directors consider the risk management process to be effective.

Principal risks and uncertainties

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

Risk process

On an annual basis we review each risk and rate a number of factors: gross impact, applying the hypothetical assumption there are no mitigating controls in place; residual impact and likelihood, taking into account existing mitigating controls; the reputational impact of a risk; and velocity, which reflects the expected time we would have to react should a risk materialise. These, in turn, drive mitigation priorities. A trend metric shows the net position of the risk year-on-year. We report on the connectivity between risks to help understand the potential for one risk to have an impact on another. This is presented against each risk in the form of a 'risk relationship' chart indicating the linkage between each principal risk and others on the list. This has been used as an input to the Viability Statement assessment and for risk scenario planning and mitigation work.

Changes to principal risks

Our principal risks continue to evolve in response to our changing risk environment. This year, based on our monitoring of emerging risks, none have been deemed material enough to be promoted to being principal risks and therefore no risks were promoted to principal risks during FY2024. However, organic growth was removed as a principal risk as it is now embedded within our commercial and technology risks.

While we continue to monitor and manage a wide range of risks, the tables that follow summarise those risks considered to have the greatest potential impact if they were to materialise.

Principal risks and uncertainties

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

Key

Link to strategy

Growth

People

Execution

Likelihood

Almost certain
>80%

Likely
>60%

Probable
>40%

Possible
>20%

Unlikely
<20%

Trend year over year

✱ New

— Stable

↗ Up

Connectivity between principal risks

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

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

The challenging economic and geopolitical environment in which we operate may have an adverse effect on demand for our products, our cost structure, pricing strategies, profitability and market share. External adverse events could cause an unanticipated and sudden disruption to our business.

How this could impact our strategy or business model

- Geopolitical tensions relating to Russia, China, India and the Middle East could adversely impact our operations
- The introduction of new tariffs and/or taxes could adversely impact our financial performance
- A regional or global recession could reduce demand for our products
- If we are unable to pass additional inflation on through pricing, our financial performance may suffer

Examples of how we manage this risk

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

Examples of how we know the controls are working effectively

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

Developments in FY2024

- We have continued to monitor increasing international tensions and the rise of nationalism and populism; ongoing wars and conflicts in the Ukraine and Israel-Gaza; and other political developments including the US presidential election campaigns

Risk owner
Chief Financial Officer & General Counsel

Trend
↗ Up

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

Cyber attacks attempting to compromise the confidentiality, integrity and availability of IT systems and the data held on them are a continuing risk. We operate in markets and product areas which are known to be of interest to cyber criminals. Digitalisation and increased interconnectivity of our products intensifies the risk.

How this could impact our strategy or business model

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

Examples of how we manage this risk

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

Examples of how we know the controls are working effectively

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

Developments in FY2024

- In the light of the constantly changing cyber threats and publicised cyber attacks that have taken place throughout the year, our Business Information Services function has continued to improve our preventative and remediation controls and has provided updates to the Audit & Risk Committee on our cyber risks and mitigating actions

Risk owner
Chief Financial Officer

Trend
Stable

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

Disruption to our supply chain, manufacturing or service operations, or customers' operations could impact our financial performance.

How this could impact our strategy or business model

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

Examples of how we manage this risk

- SES has increased our focus on resilient and cost-effective supply
- We have business continuity and disaster recovery plans in place for critical locations
- We regularly evaluate key sites against a range of risk factors using external benchmarks
- Mitigation plans are in place for sole source suppliers, sub-contractors and service providers, including qualifying alternative sources of supply where appropriate
- Property damage and business interruption insurance

Examples of how we know the controls are working effectively

- We test business continuity plans annually
- Divisional risk mitigation plans reviewed by the Audit & Risk Committee
- Business interruption risk surveys which are completed annually with an external provider at key operational sites
- Insurance is reviewed at least annually by the Audit & Risk Committee

Risk owner
Business Presidents

Trend
Stable

4. Technology – Technology disruption by existing or future competitors

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

How this could impact our strategy or business model

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

Examples of how we manage this risk

- We proactively position our portfolio around the most attractive markets where we can sustainably hold a leadership position based on technology differentiation
- We diversify our portfolio to serve a range of sectors and geographies, and mitigate exposure to any one sector or area
- Continued investment in R&D (FY2024: 3.5% of Group revenue, FY2023: 3.7%) with an increasing focus on shared digital development
- We focus on nurturing a culture of innovation
- We focus on processes that support new product development and commercialisation
- We track Gross vitality as a KPI
- We maintain robust intellectual property (IP) protection via patents and other protections, and pursue litigation to protect our differentiation, where appropriate

Examples of how we know the controls are working effectively

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

Risk owner
Business Presidents

Trend
— Stable

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

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

How this could impact our strategy or business model

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

Examples of how we manage this risk

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

Examples of how we know the controls are working effectively

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

Risk owner
Business Presidents

Trend
— Stable

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

Failure to act in a timely manner and adapt our market strategy in response to changes in the commercial environment in which we operate may result in an adverse effect on our financial performance and market share.

How this could impact our strategy or business model

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

Examples of how we manage this risk

- A clear Group strategy to achieve organic growth goals, underpinned by detailed business strategies
- Detailed reviews of existing and potential new markets to identify opportunities with significant growth potential
- An annual incentive programme to support profitable growth
- New product innovation feedback through market research and direct feedback from existing and potential customers
- Our diversified portfolio of businesses mitigates exposure to any one country, sector or customer
- Our growth strategy places emphasis on expanding operations in higher-growth customer markets as well as geographic regions which are currently underserved, including Asia
- Our regular strategy reviews evaluate adjacent market opportunities and the evolving competitive environment including reviewing new/potential market entrants
- Our Government Relations function collaborates with colleagues across the Group to advise on developments

Examples of how we know the controls are working effectively

- Business monthly operating reviews
- Strategic reviews, including commercial excellence reviews, and business deep-dives, including detailed monitoring of pricing
- Customer input is gathered frequently to inform new product development, marketing segmentation/communication, and customer service improvement
- Strong and long-term customer relationships
- Managing Director councils in India and China provide cross-business alignment to support our growth strategy

Risk owner
Business Presidents

Trend
Stable

7. People – Ability to attract and retain people

Failing to attract, develop and retain the right people with the right skills may affect our ability to achieve our commercial ambitions.

How this could impact our strategy or business model

- If we do not attract and retain key talent, our business performance may suffer
- If we do not retain key management when we make acquisitions, we may not realise the value of those acquisitions

Examples of how we manage this risk

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

Examples of how we know the controls are working effectively

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

Risk owner
Chief People Officer

Trend
Stable

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

Risk owner
Group General Counsel

Trend
Stable

We have c.15,750 colleagues in more than 50 countries. Individuals may not all behave in accordance with the Group's Values and in accordance with ethical and legal requirements. We operate within increasingly complex legal regimes, often in highly regulated markets and with governments, customers and suppliers requiring strict adherence to laws. We may fail to deliver contracted products and services or fail in our contractual execution due to delays or breaches by our suppliers or other counterparties.

How this could impact our strategy or business model

- An ethics or compliance breach could cause harm to our reputation, financial performance, customer relationships and our ability to attract and retain talent
- Failure to comply with trade compliance requirements (import and export) could lead to significant fines and/or delays to procurement or supplies
- Failure to meet strict conditions within government contracts, particularly in the US, could prevent us from bidding for contracts or have other serious financial and reputational consequences
- Breach of contract resulting in significant expenses due to disputes and claims, loss of customers, damage to our reputation with other customers/prospective customers, and loss of revenue and profit due to higher costs, liquidated damages or other penalties
- Contracts, particularly those with governments, may include terms that provide for unlimited liabilities, including for loss of profits, IP indemnities, perpetual warranties or allowing the counterparty to cancel, modify or terminate unilaterally and seek alternative sources of supply at our expense

Examples of how we manage this risk

- Our ethics and compliance team run a proactive programmatic approach, areas of which are at different stages of maturity including:
  - Managing an independent Speak Out reporting line and investigations process with communications encouraging the reporting of ethics violations (includes ability to report anonymously and a non-retaliation policy)
  - Anti-bribery and anti-corruption training is mandated for all employees online; and in-person training with a process for monitoring and reporting compliance
  - Policies and processes to mitigate risks are in place, including agent and distributor-related risks through due diligence, contractual controls and internal approvals
  - Anti-trust training programmes
- Modern Slavery and Transparency Statement and procedures to reduce the risk within the Group and our supply chain
- Network of trade compliance officers across the Group who monitor current and future changes in regulation and oversee import and export activities
- Monitoring and acting on upcoming legislative changes
- Multi-functional programme for General Data Protection Regulation (GDPR) compliance

Examples of how we know the controls are working effectively

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

Developments in FY2024

- In response to changes made to Provision 29 of the UK Corporate Governance Code (applicable to periods beginning after 1 January 2026), exercises have begun across the Group to identify all material controls with a pilot of the process having been completed for the climate change principal risk in June 2024

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

Failure to identify and act on the significant opportunities arising from the world's transition to a low-carbon economy and/or failure to respond appropriately to climate change risks and regulation.

How this could impact our strategy or business model

- If we do not position ourselves to serve our customers and growing markets in decarbonisation and green re-industrialisation, we will not reach our full commercial potential
- If we do not make progress towards and then achieve our own Net Zero commitments our company reputation and customer relationships may be damaged
- We may not be able to attract and retain key talent if we are not viewed as a socially responsible and sustainable organisation
- If we do not communicate sufficiently our approach to managing climate opportunities and risk, we may limit the number of interested debt and equity investors
- Extreme weather caused by climate change may have an impact on our markets and our operations if not identified and addressed

Examples of how we manage this risk

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

Examples of how we know the controls are working effectively

- All businesses are engaged in new product development that contributes to sustainability
- Our FY2024 Scope 1 & 2 GHG reduction of (10.7)% is in line with the trajectory needed for our SBTs
- The ISE Committee meets four times a year to review sustainable products and progress on our sustainability goals
- We monitor and benchmark our ESG ratings published by Sustainalytics, ISS, CDP and MSCI
- The environmental commitment topic scored highly in our My Say employee survey

Developments in FY2024

- In response to changes to regulation regarding climate change (including CSRD and IFRS Climate-related disclosures), a cross-functional working group has been set up to provide oversight and leadership in response to reporting requirements

Risk owner
Head of Smiths Excellence & Sustainability

Trend
— Stable

See more
TCFD disclosure
→ Page 49

Task Force on Climate-related Financial Disclosures

Compliance statement

FCA Listing Rules

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

The TCFD provides an internationally recognised framework to provide clear, comprehensive and high-quality information on the impacts of climate change. Over several years, we have progressed our alignment with the TCFD recommendations to embed the management of climate-related risks and opportunities into our processes, and to ensure that our business strategy is adapting to the effects of climate change.

This year we undertook an in-depth review of the findings of the climate scenario analysis work conducted in 2022 in a series of risk and opportunities workshops which included quantitative assessment. The outputs of these workshops are presented on pages 54 to 57. We have also introduced additional metrics and targets related to climate change. See page 57.

Our diverse range of products and geographical spread of assets allows the business to be resilient to climate risks, such as cost and availability of resources and weather impacts, in the short term. We are also well prepared for market opportunities presenting themselves as a result of climate change and the energy transition. However, we recognise the potential impacts of climate risks on our business in the long term and, as detailed on pages 54 to 57, have continued to implement mitigation strategies to ensure that we remain resilient.

In FY2025, as climate risk and opportunities assessment continues to be embedded into our ongoing business processes and planning, we intend to conduct new climate scenario work in line with latest developments and best practices using the most up to date and relevant climate scenarios.

Governance

Board

The Board has overall responsibility for our approach to sustainability matters, including climate change. Oversight of this is delegated to Board sub-Committees. Specifically, the Audit & Risk Committee oversees climate risk management while the Innovation, Sustainability & Excellence (ISE) Committee oversees delivery of our commitments in relation to climate change. The Board has oversight of our Group-level and business strategies, receiving performance updates from our four businesses twice a year. This includes an annual strategy presentation and operational updates. Our businesses report to the ISE Committee on a rolling annual basis. Read more about the work of the ISE Committee on page 94.

Our Board has a collective competency for sustainability matters, including climate change. Individual Directors have sustainability experience gained from current and previous positions held at other companies. When determining Board Committee composition, the relevant skills and experience of the individual Non-executive Directors are considered, to ensure each Committee has the required competencies. Further detail can be found in the Board biographies on pages 73 and 74 and the Board governance model is described on page 72.

Strategic decisions relating to climate risks and opportunities

As the world transitions to a low-carbon economy, the Group has identified a number of climate-related opportunities relating to global investment in decarbonisation and green re-industrialisation. Commercialising these high-value green technologies is a strategic priority and is built into our businesses' strategic plans. The Board considers climate-related issues when reviewing strategy and performance objectives. The ISE Committee reviews our net zero operational transition plans and regularly reviews climate metrics and targets such as energy efficiency, GHG, water and waste. These metrics are also discussed in management reviews.

Pages 87 to 93 and 94 to 95 detail the work of our Audit & Risk Committee and ISE Committee in relation to overseeing climate risks and the delivery of climate-related opportunities respectively.

Executive Committee
Business Presidents form part of the Executive Committee and are responsible for our businesses' approach to sustainability, including climate change. The Executive Committee reports to the CEO, who reports directly to the Board six times a year. Discussions at the Executive Committee relate to commercial climate activities such as new product development and new market opportunities, and operational climate activity, such as energy and GHG reductions. The Head of Smiths Excellence & Sustainability and Group Head of Strategy and Communications oversee the Group's overall direction, targets and reporting on operational and commercial sustainability matters.

Climate-related risks are managed and reported in line with wider risk management processes, with the outcomes of business assessments integrated into executive-level strategic planning and priorities. Climate-related opportunities such as those relating to the decarbonisation and the energy transition agenda have been communicated to the Executive Committee and Board, culminating in a Group-wide strategic response for markets and opportunities.

A number of key climate-related issues were discussed by the Executive Committee and the Board in FY2024 including:

1. Progress against the Group's SBTs and transition planning for Net Zero Scope 1, 2 and 3 emissions
2. Strategic opportunities arising from the energy transition/decarbonisation
3. Alignment of remuneration with environmental targets

Executive remuneration
Scope 1 & 2 reduction targets aligned to our SBTs continue to make up part of our incentive plans. From FY2023 onwards, we introduced climate-related metrics (energy efficiency) into our Annual Incentive Plan (AIP) and (absolute GHG reduction) into our Long-Term Incentive Plan (LTIP) to more closely align decision-making and ownership of climate goals. Details can be found in the Remuneration & People Committee Report on pages 96 to 97. FY2025 remuneration continues to incorporate these climate-related metrics.

Strategy

Climate risks and opportunities

We have identified a range of physical and transition risks and opportunities that could impact our business.

Climate change gives rise to legal risks, such as stricter GHG emission regulations, as well as market risks such as from new and emerging competitors and changes in the industries we serve. Extreme weather events such as floods and extreme temperatures pose physical risks, including damage to assets, both owned by us and within our supply chain, as well as disruption to transportation routes and the safety of our people. More extreme temperatures may also lead to new market opportunities, such as remote sensing and cooling systems.

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

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

Time horizons for materialisation: climate risks and opportunities

	Description
Short term	2024–2029
Medium term	2029–2033
Long term	2033 and beyond

See more
Delivering Net Zero GHG
→ Page 35

The ISE Committee is responsible for overseeing the delivery of climate-related commitments and opportunities, such as the commercialisation of green products, mitigating the impacts of climate change, and setting and reviewing progress against relevant climate-related targets.

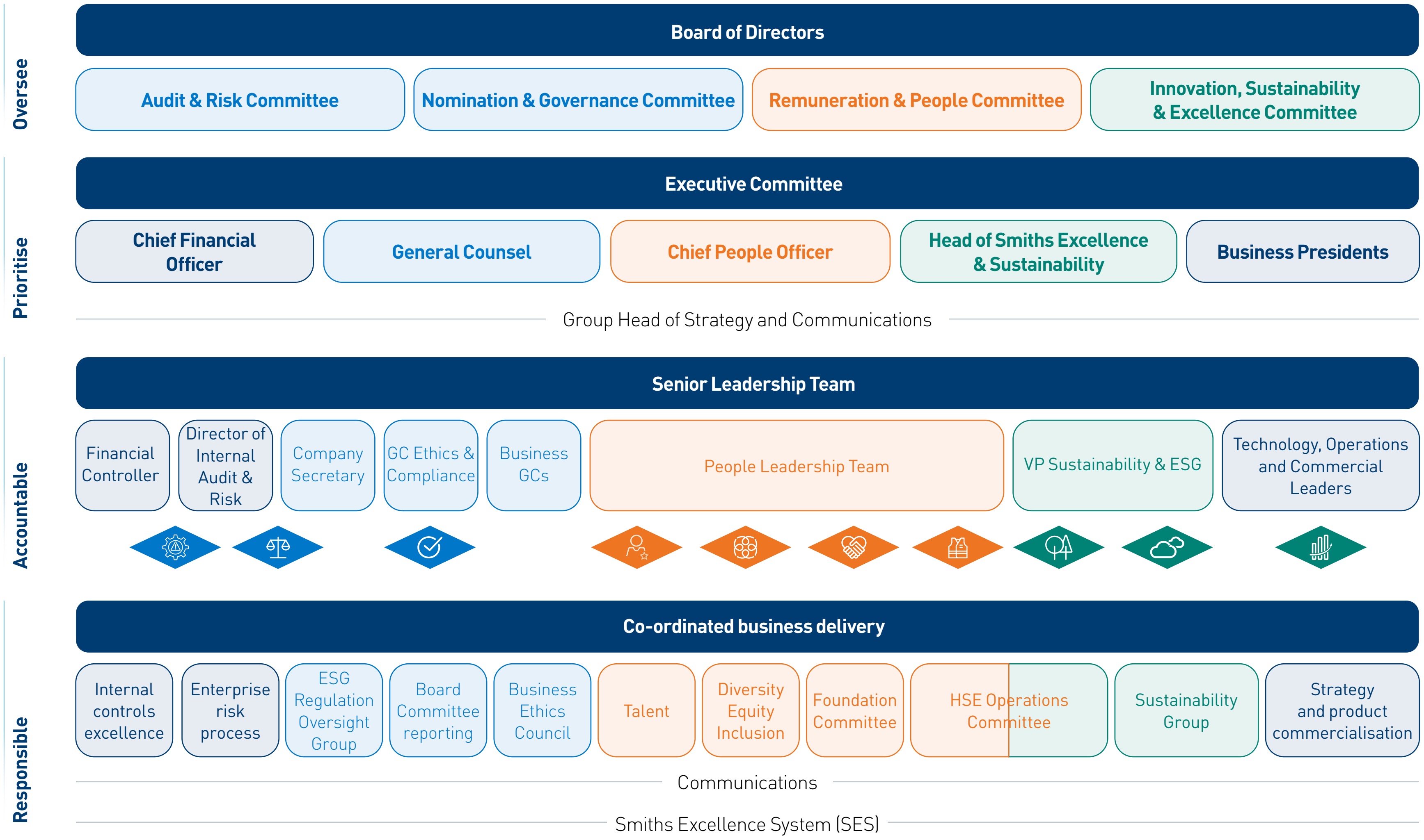
See more
Audit & Risk Committee Report
→ Page 87

See more
Innovation, Sustainability & Excellence Committee Report
→ Page 94

See more
Renumeration & People Committee Report
→ Page 96

ESG Governance and delivery

The diagram below shows how sustainability/ESG matters are managed at Smiths. As described on page 49, climate matters are integrated into this overall management framework.



Distribution of Smiths green technology

The transition to a low-carbon world poses significant opportunities for Smiths as demand for green technology and energy efficient products increases.

Efficiency and circular economy solutions **Solutions that help our customers to use less, waste less and reduce emissions** – Lower emission oil & gas value streams – Resource efficiency in industrial processes – Water reduction for process industries and energy transition minerals – Effective and lower energy safety and security infrastructure – Detection solutions for resource mining and recycling – More efficient buildings – Smaller, lighter and more efficient connectivity components	**John Crane** **Smiths Detection** **Flex-Tek** **Smiths Interconnect**
Green electrification **Solutions that help our customers move away from fossil fuels to green electricity** – Electrical heating for buildings and industrial processes – High-power connectors for electricity transmission	**Flex-Tek** **Smiths Interconnect**
Low-/no-carbon fuels **Solutions that help our customers to produce, transport, store and use new fuels** – Compression, transportation and storage of hydrogen – Pumping and filtration of biofuels, synthetic and other low-carbon fuels	**John Crane** **Flex-Tek**
Carbon capture **Solutions that help our customers capture, transport and sequester carbon** – Carbon capture technology – Carbon transport and storage	**John Crane**

See our website www.smiths.com for more information on decarbonisation megatrends and how we are commercialising high-value green technologies.

See more
Commercialising high-value green technologies

→ Page 34

Scenario analysis

We have carried out scenario analysis on our climate risks and opportunities for several years, collaborating with external consultants.

While scenario analysis is hypothetical and does not provide a certain forecast, it helps to identify how our most material climate-related risks and opportunities will likely impact us and our operations in the future. This subsequently informs our risk management strategies, as well as the metrics and targets we use to monitor such issues, enabling us to become more resilient to risks and seize opportunities in the medium to long term.

This year, we have reviewed the findings of the scenario analysis conducted in FY2022 through a series of risk and opportunities workshops and have assessed the financial impact of the risks and opportunities identified. We found no significant changes to the modelled impact of climate risks and opportunities vs our disclosure in FY2023, other than:

- Potential health and safety risks to our people (at our sites and in the field) from heatwaves and water supply issues
- R&D and capital costs for product design arising from changes in our markets
- Opportunities arising from the development of electric aircraft

The Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway RCP 4.5 and RCP 8.5 scenarios were used for the physical assessment. These scenarios highlighted a change in annual rainfall levels at our sites and seasonal differences in temperature as well as more frequent and severe extreme weather events such as flooding, wildfires and drought. See pages 54 to 57 for more information on how we are managing these impacts.

The International Energy Agency's (IEA) World Energy Outlook Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS) were used for transition scenarios to assess the potential achievements of energy and climate policy and alignment with the Paris Agreement to hold the rise in global average temperature to well below 2°C.

Impact on the business, strategy and financial planning

Our Net Zero transition plan and GHG emissions reduction targets for Scopes 1, 2 and 3 were approved by the Science-Based Target initiative (SBTi) in December 2023. These outline our operational Net Zero GHG trajectory to meet a 1.5°C scenario by achieving Net Zero Scope 1 & 2 emissions by 2040 and Net Zero Scope 3 emissions by 2050. This aligns with the Net Zero by 2050 targets set out by the UK and US governments (which are our largest areas of operation). Our transition plan was developed with consideration of the updated TCFD guidance and lays out our 2028, 2032 and long-term Net Zero milestones. See Delivering Net Zero GHG on page 35.

Business-level initiatives and actions to reduce Scope 1 & 2 emissions are based on energy efficiency, green electricity (including implementation of solar technologies and fleet electrification), and alternative fuels. The majority of our Scope 3 emissions will be addressed by in-country grid decarbonisation and via targeting significant suppliers with education and training to set and meet their own SBT targets.

The opportunities identified within the climate scenario analysis form part of our strategic priority to commercialise high-value green technologies to increase green product revenues.

Risk management

We have a Group-wide approach to risk management which is discussed in detail on pages 40 and 41. Details of how we manage our Climate change risk can be found on page 48.

Our climate risk assessment work considers a wide range of risks relating to climate change identified with the support of external technical specialists and then evaluated through Group and business workshops. See climate risks and opportunities on pages 54 to 57. These include, for example, impacts relating to damage to assets from weather events, cost and availability of resources, regulation related to GHG emissions and increased demand for green technologies. The identification process includes assessment of the full value chain, such as impacts relating to key supply chain assets from extreme weather events.

In FY2025 we will supplement ongoing climate risk management activity with new climate scenario work in line with latest developments and best practices using the most up to date and relevant climate scenarios and will review climate metrics and targets accordingly.

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

Risk/ opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario 2040 medium term	RCP4.5 scenario 2080 long term	RCP8.5 scenario 2040 medium term	RCP8.5 scenario 2080 long term	Financial Impact
Physical risks											
Damage to Group assets from extreme weather events	Extreme weather events: hurricanes; tropical storms; flooding; wildfires; and sea-level rise.	Environment (acute physical)	Medium	All businesses	Increased costs and resulting revenue losses due to repair and increasing insurance costs.	All sites are required by policy to complete annual site-specific risk assessments through the divisional Business Continuity Plans review, which considers risks from a wide range of issues, including from severe weather. A number of John Crane sites have been identified as vulnerable, so mitigation measures are being put in place such as: relocations; alert systems; guidance from insurance providers when sites come up for insurance policy renewal; and local, specific mitigation measures such as independent generators.					Between £25–50 million effect on revenue
Damage to key supply chain assets from extreme weather events			Medium	All businesses	Loss of revenue due to disruption/delay of manufacturing processes.	Development of a coordinated procurement process for consideration of physical risks in procuring new suppliers					Between £25–50 million effect on revenue
Temperature regulation requirements during heatwaves and cold snaps	Increasing average temperatures across all seasons, as well as more extreme heatwaves and cold snaps requiring the temperature in buildings to be regulated in order to minimise health and safety risks.	Environment (chronic physical)	Medium	All businesses	Health and safety risks from overheating or freezing mean there are higher operating costs from increased air conditioning and heating. Capital costs associated with retrofitting assets to provide sufficient temperature are also high.	Consideration of extreme weather risk when deciding where to expand existing operations and annual business continuity reviews across our sites.					Between £25–50 million effect on revenue
Health and safety risks	Health and safety risks due to overheating from heatwaves and water supply issues due to regional water scarcity.	Environment (acute physical)	Long or Medium	All businesses	Loss of revenue due to operations having to be temporarily shut. Increased costs from implementation of cooling systems.	A number of our facilities have been identified as vulnerable to the effects of climate change and extreme weather. There are health and safety risks associated with the increased frequency and severity of heatwaves, droughts and higher temperatures.					Between £25–50 million effect on revenue
Disruption to transportation and distribution networks from extreme weather events	Weather events directly impacting transportation networks.	Environment (acute physical)	Medium	All businesses	Loss of revenue due to delays in getting products to market, caused by supply chain disruption.	We are reviewing and investigating ways to minimise travel distances by ensuring products are produced as close to customers as possible. We aim to avoid the use of single-source materials to increase resilience over regional disruption. This includes looking at reducing double handling of products by having suppliers send directly to customers.					Between £25–50 million effect on revenue

Key

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

Risk/ opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario 2040 medium term	RCP4.5 scenario 2080 long term	RCP8.5 scenario 2040 medium term	RCP8.5 scenario 2080 long term
Physical opportunities										
Growth in remote sensing market	Smiths Interconnect: Growth in satellite demand and requirements for climate change/ weather/environmental tracking and monitoring.	Environment (chronic physical)	Medium	Smiths Interconnect	Increased revenue from growth in demand for satellite technology for environmental monitoring and tracking.	Opportunities in remote sensing and cooling systems have been incorporated into business planning and other relevant sectors are also being monitored for changes in demand (e.g., communication systems).	●	●	●	●
Increased demand for cooling systems	Ongoing extreme variation in global temperatures will increase demand for heating, ventilation and air conditioning (HVAC) systems from Flex-Tek globally.	Environment (chronic physical)	Medium	Flex-Tek and John Crane	Increased revenue from increased demand for residential and domestic cooling systems, driven by ongoing variation in global temperatures.		●	●	●	●
	John Crane also has the opportunity to develop sealing and water filtration technology for transportation and cleaning of water in water-stressed locations.									

Key

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

Risk/ opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario 2040 medium term	RCP4.5 scenario 2080 long term	RCP8.5 scenario 2040 medium term	RCP8.5 scenario 2080 long term	Financial Impact
Transition risks											
Increased regulations and pricing on GHG emissions	Regulations relating to GHG emissions, including the cost of reporting and complying with regulations (e.g., carbon taxes, CBAM).	Political and legal risk	Medium	All businesses	Greater costs associated with emissions reduction, monitoring and reporting obligations. Risk of reduced access to investment opportunities from failure to meet these.	We have established the Sustainability Group and other cross-functional working groups to drive and track initiatives.					Between £50-100 million effect on revenue.
Increased transportation costs	Greater fuel costs related to freight and internal transportation.	Market risk	Medium	All businesses	Greater fuel costs due to increased pricing on GHG emissions.	Reduction in double handling of products, optimising space in freight through reusable and recyclable packaging solutions and exploring localised business models.					Between £50-100 million effect on revenue.
Cost and availability of resources	Increased price and reduced availability of critical raw materials. For Smiths Interconnect, there are concerns around lithium and beryllium and for Smiths Detection there is a risk of limited supply of key components.	Market risk	Medium	All businesses	Limited supply of materials and components could lead to price volatility and production constraints.	The procurement team for Smiths Interconnect tracks critical raw materials and reports monthly. Actions are taken based on trends such as pre-buys or vendor managed inventory. The business also periodically looks at alternative materials. Smiths Detection continually monitors availability of critical materials and parts for its products.					Between £50-100 million effect on revenue.
R&D, repurposing product design and services	R&D and capital costs required to adapt existing products and processes to address demand contraction risks and competition from new products. Risk of unsuccessful investment.	Market risk	Medium	Smiths Detection and Flex-Tek	Potential need to shift product offering to suit evolving needs from customers.	Smiths Detection has an investment programme in place to improve product performance in anticipation of client and policy demands. Flex-Tek continually changes and adapts products to meet market demand for sustainable products.					Between £50-100 million effect on revenue.
New and emerging competitors	Reduced accessible market due to increased competition in Net Zero/energy efficiency space such as methane leakage. For example, there is a risk of overcrowding in the methane leak detection and remediation market for John Crane in 2030.	Market risk	Medium	All businesses	Reduced revenue due to greater competition in product market.	John Crane has implemented procedures to track and respond to changes in demand from traditional oil & gas customers to additionally target its portfolio of products and services to target new customers and markets, e.g., hydrogen and carbon capture. Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.					Between £25-50 million effect on revenue

Key

Risk key	Definition
1. Very low	Marginal impact on the Group Financial impact: Less than £25 million effect on revenue
2. Low	Relatively marginal impact on the Group Financial impact: Between £25-50 million effect on revenue
3. Moderate	Moderate impact on the Group Financial impact: Between £50-100 million effect on revenue.
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Risk/ opportunity	Risk description	TCFD category	Time horizon for materialisation	Which parts of the business will be most impacted?	Potential impact on the business	Response/actions we're taking and how they are managed	RCP4.5 scenario 2040 medium term	RCP4.5 scenario 2080 long term	RCP8.5 scenario 2040 medium term	RCP8.5 scenario 2080 long term
Transition opportunities										
Aviation/ energy efficiency requirements	Demand for energy-efficient detection products.	Products and services	Medium	Smiths Detection	Revenue from development of more energy efficient safety and security infrastructure.	Smiths Detection monitors power consumption of its products relative to competitors and product durability and strives to be best in class to lower total cost of ownership.				
Growth in energy efficiency products market	Increased demand for efficiency and emission reduction products.	Products and services	Medium	John Crane	Increased revenue from sealing solutions that reduce hydrocarbon leakage from oil & gas and other infrastructure.	Continuing development of next generation solutions for oil & gas and other industrial customers that align with their decarbonisation targets, such as via digitisation.				
Demand for new products and services in the aviation sector	Future development of electric planes. This is relevant for Flex-Tek to invest in R&D to ensure technology evolves in response to consumer preference.	Products and services	Medium	Flex-Tek	Revenue from the development of products to support electric flight	Monitoring progress of electric aviation technology and testing. Developing relationships with existing and new market players.				

Key

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

Metrics and targets

We have identified relevant metrics and targets to monitor progress in achieving our sustainability goals, as well as manage and mitigate identified climate-related risks and opportunities as detailed on pages 54 to 57. Metrics and targets are monitored by the ISE Committee and inform decision-making to execute our strategic priorities.

Sustainability metrics form part of the Smiths annual (AIP) and long-term incentive plans (LTIP). These include metrics on energy efficiency and GHG emissions reductions (Scope 1 & 2 emissions absolute reduction target) respectively.

In December 2023, Smiths Group achieved a significant milestone with the validation of our SBTi targets. More information can be found on page 35. We also implemented the EcoVadis supplier management platform.

Our Scope 1 & 2 emissions have continued to decrease, as we progress conversion of our energy mix to renewable electricity, including the execution of on-site solar projects. We are also undertaking transition initiatives such as fleet electrification and site energy audits. Our Scope 3 emissions have also decreased year-on-year. Further details of Scope 1, 2 and 3 emissions can be found on pages 62 to 64 including progress during FY2024. More detail, including our methodology for calculation of emissions in line with the GHG Protocol, can be found on our website www.smiths.com

In FY2024 we set new targets for energy efficiency, renewable electricity, water, waste and supplier SBTs.

Information on how metrics and targets are linked to our incentive arrangements can be found in the Remuneration & People Committee Report from pages 96 and 97. Progress towards achieving other sustainability targets is included in the Sustainability at Smiths section from page 32. Our Scope 1, 2 and 3 GHG emissions data for FY2022 onwards has undergone an external limited assurance process.

See more
Delivering Net Zero GHG
→ Page 35

See more
Renumeration & People Committee Report
→ Page 96

Monitoring metrics and targets

The table below outlines the key metrics and targets used to monitor climate risks and opportunities. Performance against the majority of these metrics is monitored by the ISE Committee. Further detail, including historical performance, can be found on pages 62 to 64. Our FY2024 Sustainability at Smiths report describes the basis of preparation of our metrics and targets and includes all of our environmental data.

Topic	Metric	Unit of measurement	Targets and metrics reported externally	FY2024 performance	How is the metric used to monitor climate risks and opportunities?
Energy efficiency/ reduction	Energy efficiency ratio Energy reduction	% change % change	4.5% improvement in FY2024 2% reduction in FY2025	5.5% improvement vs FY2023 including HCP	Pricing on GHG emissions – tracking our GHG emissions helps us to remain aligned with upcoming regulations and is of value to our customers seeking to reduce emissions in their supply chains.
Renewable electricity	Group percentage of electricity coming from renewable sources	%	66% by FY2024 80% by FY2027	73%	Pricing on GHG emissions
GHG emissions	Global Scope 1 GHG emissions Global Scope 2 GHG emissions market-based Combined Scope 1 & 2 emissions	tCO_2e	Long-term target: net zero by 2040 17.5% reduction by FY2027	(10.7)% reduction vs FY2023	Pricing on GHG emissions
GHG emissions	Global Scope 3 GHG Emissions Category 1: Purchased Goods and Services Category 2: Capital Goods Category 3: Fuel- and energy-related activities not included in Scope 1 or Scope 2 Category 4: Upstream transportation and distribution Category 5: Waste generated in operations Category 6: Business Travel Category 7: Employee commuting Category 9: Downstream transportation and distribution Category 11: Use of sold products Category 12: End of life treatment of sold products Category 15: Investments	tCO_2e	Long-term target: net zero by 2050 Interim target: 40% of suppliers by spend committed to SBTi targets by FY2027	(15)% reduction vs FY2023	Pricing on GHG emissions

Topic	Metric	Unit of measurement	Targets and metrics reported externally	FY2024 performance	How is the metric used to monitor climate risks and opportunities?
Physical risks	All site business continuity plans to be reviewed annually	%	Yes, not reported externally	N/A	All identified physical risks – reviewing our site business continuity plans enables us to plan and mitigate against potential physical risks from climate change.
Transition risks	Revenue from green technologies	%	No – data required under CSRD (EU taxonomy) currently being evaluated	N/A	Monitoring revenue from products with sustainability, including climate, benefits.
Transition risks	% reduction in normalised waste	%	5% reduction in normalised non-recycled waste FY2022 to FY2024 5% reduction FY2025 to FY2027 24 packaging reduction projects FY2022 to FY2024 30 packaging reduction projects FY2025 to FY2027	(19)% reduction in normalised waste vs FY2021 28 packaging reduction projects FY2022 to FY2024	Cost and availability of resources – monitoring our reduction in waste and setting targets helps to reduce the resources used by our business.
	Total hazardous waste Total non-hazardous waste Total recycled waste Total incinerated waste Total waste Non-hazardous waste recycled Non-hazardous waste incinerated	tonnes			
	Total volatile organic compound (VOC) emissions	kg			
Transition risks	Water reduction projects	Number of projects	30 projects FY2022 to FY2024 30 projects FY2025 to FY2027	30 projects FY2022 to FY2024	Cost and availability of resources – supporting overall reduction in water use.
	% reduction in normalised water use in stressed areas	%	5% reduction in normalised water use in stressed areas FY2022 to FY2024 5% reduction in normalised water use in stressed areas FY2025 to FY2027	(17)% reduction vs FY2021	Cost and availability of resources – monitoring our water use and water intensity metrics to track use and set reduction targets to reduce the resources used by our business.
	Ground water used	m^3			
	Public system water used				
	Reservoir water used				
	Water used – other supply				

Non-financial and sustainability information Statement

The following table aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information listed is included by cross-reference. Further non-financial information is available in our Sustainability at Smiths report and on our website.

Reporting requirement	Relevant policy or document	More information and related principal risk	
Environmental matters	**Environmental Sustainability Policy** – our commitment to minimising the environmental impact of our business activities, products and services worldwide **Waste Policy –** the principles we have adopted to address our most significant waste impacts and issues **Water Policy** – the principles we have adopted to address our most significant water impacts and issues	Key performance indicators Task Force on Climate-related Financial Disclosures Risk management and Principal risks and uncertainties Innovation, Sustainability & Excellence Committee Report ESG metrics, targets and performance Principal risk: Climate change	Page 14 to 16 Page 49 to 59 Page 40 to 48 Page 94 and 95 Page 62 to 67 Page 48
Climate-related financial disclosures	**Environmental Sustainability Policy** – our commitment to minimising the environmental impact of our business activities, products and services worldwide **Waste Policy –** the principles we have adopted to address our most significant waste impacts and issues **Water Policy** – the principles we have adopted to address our most significant water impacts and issues	Task Force on Climate-related Financial Disclosures Principal risk: Climate change	Page 49 to 59 Page 48
Employees	**Code of Business Ethics** – outlines the ethical standards we all commit to **Human Rights Policy** – recognises the important responsibility we have with respect to human rights **Fair Employment Policy** – designed to make Smiths a fair, inclusive and respectful place to work **Recruitment Policy** – designed to attract, engage, develop and retain talented people who share our values and sense of purpose **Health, Safety and Well-being Policy –** describes our commitment to achieving excellence in the health, safety and well-being of colleagues	Our people and culture Key performance indicators Risk management and Principal risks and uncertainties Improving safety, health and well-being ESG metrics, targets and performance Stakeholder engagement and S172 Statement Remuneration & People Committee Report Principal risk: People	Page 9 Page 14 to 16 Page 40 to 48 Page 33 Page 62 to 67 Page 78 to 81 Page 96 to 117 Page 46
Social matters	**Code of Business Ethics** – outlines the ethical standards we all commit to **Data Protection Code of Conduct** – sets out the standard for collecting and handling personal data about individuals **Supplier Code of Conduct** – our commitment to doing business safely, sustainably, lawfully and to the highest business and ethical standards **Modern Slavery Statement** – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains	Our business model Our people and culture Key performance indicators Business review ESG metrics, targets and performance Stakeholder engagement and S172 Principal risk: People	Page 6 Page 9 Page 14 to 16 Page 24 to 31 Page 62 to 67 Page 78 to 81 Page 46

Reporting requirement	Relevant policy or document	More information and related principal risk	
Respect for human rights	**Code of Business Ethics** – outlines the ethical standards we all commit to **Modern Slavery Statement** – steps taken by Smiths to address the risk of modern slavery and human trafficking in its business and supply chains **Human Rights Policy** – recognises the important responsibility we have with respect to human rights	Our people and culture Behaving ethically and legally Risk management and Principal risks and uncertainties Principal risk: People	Page 9 Page 37 Page 40 to 48 Page 46
Anti-bribery and anti-corruption matters	**Code of Business Ethics** – outlines the ethical standards we all commit to **Anti-Corruption Policy** – sets out Smiths approach and controls to manage bribery and corruption risks	Behaving ethically and legally Risk management and Principal risks and uncertainties Audit & Risk Committee Report Principal risk: Legal and compliance	Page 37 Page 40 to 48 Page 87 to 93 Page 47
Business model		Our business model Key performance indicators Business review Principal risk: Commercial	Page 6 Page 14 to 16 Page 24 to 31 Page 46
United Nations Sustainable Development Goals	Business has a vital role to play in delivering the UN SDGs. Our business activities, the way we operate, and our ESG framework and priorities enable us to contribute in a meaningful and practical way to seven of these critical global goals.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	

Policy due diligence and outcomes

Smiths operates a confidential Speak Out reporting hotline to report behaviour and activities that breach our Smiths Values, our policies, or the law. This is critical to assessing the effectiveness of our policies. The Internal Audit function play an important role in assessing policy adherence and outcomes. In FY2024, they audited each business's compliance with our Data Protection and Privacy Policy and our trade policies. In addition, each year the ethics & compliance team issue surveys to certain sites and functions, these include questions around recruitment and employment, and are used to assess compliance with our Human Rights Policy.

Supporting information

More information about the Group's principal risks and how they are managed can be found on pages 42 to 48. The Group's key performance indicators, including both financial and non-financial metrics, can be found on pages 14 to 16. The Company's S172 Statement is on pages 80 and 81 in the Governance report.

ESG metrics, targets and performance

Environment

New product commercialisation/green technologies

We report R&D spend as a percentage of sales and gross vitality, which measures the revenue contribution of products launched in the last five years.

Medium-term target:

	Target	FY2024	FY2023
Gross vitality	30%	**28.5%**	31%

R&D as a percentage of sales was 3.5% in FY2024 (FY2023: 3.7%).

Energy efficiency and GHG emissions

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

FY2024 performance

	FY2024	FY2023	Change	Target	Target achieved	Linked to remuneration Read more on page 96
Energy use MWh	**215,027** Δ	218,094	(1)%	–	N/A	
Energy efficiency[1]	**5.5%**	7.9%	–	4.5% Group improvement vs FY2023[2]	✓	✓ Annual Incentive Plan
Renewable electricity	**73%**	70%	–	66% by FY2024	✓	
Electric vehicles – % of fleet	**10%**	–	–	–	N/A	
Scope 1 & 2 emissions tCO_2e[3]	**40,759** Δ	45,649	(10.7)%[4] Δ	SBTi trajectory	✓	✓ Long-Term Incentive Plan
Scope 3 emissions tCO_2e[5]	**1,170,000** Δ	1,380,000	(15)%	SBTi trajectory	N/A	

1 The energy efficiency ratio is expressed as the MWh energy consumed (excluding renewable electricity produced and consumed onsite), divided by the local-currency revenue at budget FX rates (excluding price growth within the measurement year). Includes HCP acquisition; 5.9% excluding HCP acquisition.
2 Target excludes acquisitions.
3 Scope 1 & 2 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.
4 (14.3)% excluding HCP acquisition.
5 SBTi target has been verified in FY2024. We anticipate updating our Scope 3 target next year, incorporating advancements in methodology to ensure continued alignment with best practices.

Limited assurance

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected FY2024 information marked with Δ. For the full assurance opinions for FY2023 and FY2024 please see www.smiths.com

New targets

Smiths has set the following targets from FY2025.

	Target	Commentary	Linked to remuneration Read more on page 96
Energy reduction[1]	2% reduction in MWh FY2025 vs FY2024	Continues to incentivise energy reduction as foundation of Net Zero plan and promotes culture change.	✓ Annual Incentive Plan
Renewable electricity	80% by FY2027	Continues to frontload trajectory and support global grid decarbonisation.	
Scope 1 & 2 emissions tCO_2e[2]	17.5% reduction by FY2027 vs FY2024[3]	Continues to incentivise resource investment in support of trajectory.	✓ Long-Term Incentive Plan
Supplier engagement	40% of supplier spend evaluated on EcoVadis by FY2027	Supports procurement and supplier behaviour towards a sustainable supply chain.	
Supplier engagement Scope 3	25% of supplier spend committed to SBTi targets by FY2027	Supports our 2050 SBTi commitment Currently c.10%	

1 Year-on-year reduction in absolute MWh consumed (target depending on revenue).
2 Scope 1 & 2 GHG emissions calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol.

SECR global energy use and emissions disclosure

		FY2024	FY2023	FY2022	Change FY2024 vs FY2023
Global energy use – absolute values	MWh	**215,027 Δ**	218,094	223,709	(1)%
UK energy use – absolute values	MWh	**17,906**	11,394	10,446	
Global emissions – absolute values					
Scope 1 (direct emissions)	t CO_2e	**19,687 Δ**	19,694	19,591	
Scope 2 (market-based emissions)	t CO_2e	**21,072 Δ**	25,955	32,193	
Scope 2 (location-based emissions)	t CO_2e	**48,989**	47,111	–	
Scope 3 (value chain emissions)	t CO_2e	**1,170,000 Δ**	1,380,000	1,450,000	
Total Scope 1 & 2 emissions (market-based)	t CO_2e	**40,759 Δ**	45,649	51,784	(10.7)% Δ
Total Scope 1 & 2 emissions (location-based)	t CO_2e	**68,676**	66,805	–	
UK Scope 1 & 2 emissions (market-based)	t CO_2e	**1,290**	1,779	1,755	
Global emissions – normalised values					
Scope 1 (direct emissions)	t CO_2e/£m revenue	**6.29**	6.48	7.63	
Scope 2 (indirect emissions)	t CO_2e/£m revenue	**6.73**	8.55	12.55	
Scope 3 (value chain emissions)	t CO_2e/£m revenue	**373.56**	454.40	565.08	
Total Scope 1 & 2 emissions	t CO_2e/£m revenue	**13.01**	15.03	20.18	(13.4)%

KPMG has provided limited assurance under ISAE (UK) 3000 and 3410 over selected FY2024 information marked with Δ.

GHG inventory

Smiths assesses the GHG emissions associated with all its global operations for all four of its operational divisions and all sites. We have developed a GHG Inventory Management Plan (IMP) that outlines our methodology to provide systematic and appropriate GHG inventory data collection, manipulation and management, to produce a relevant, credible and transparent GHG inventory that will provide visibility into our near- and long-term goals. The IMP includes methods to estimate direct emissions from Smiths operations (Scope 1), indirect emissions from purchased energy (Scope 2), and value chain emissions (Scope 3).

The methods prescribed in the IMP conform to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol and the United States Environmental Protection Agency (USEPA) Center for Corporate Climate Leadership Greenhouse Gas Inventory Guidance.

GHG boundaries

Per the GHG protocol, we have selected the operational control approach to set the organisational boundary for our GHG inventory, meaning 100% of GHG emissions from assets which the Company manages and over which it has authority to implement operational policies will be included.

In selecting these organisational boundaries, Smiths evaluated equity share, financial control and operational control approaches and primarily considered the comprehensiveness of assets that would be included in the inventory under each of the three approaches, as well as which boundary would best reflect Smiths level of influence over emissions. This includes 98 locations globally.

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

GHG emissions are reported in metric tons of CO_2 equivalents (MT CO_2e). Because individual GHGs have different impacts on climate change, or global warming potentials (GWPs), CO_2e is used to express the impact of emissions from each GHG on a common scale. Smiths uses the IPCC Fifth Assessment Report (AR5) GWPs.

Inventory boundary

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

Water, waste, packaging and biodiversity

FY2024 performance

	Target	Performance	Target achieved
Normalised water use in stressed areas (10 locations)	5% reduction in water use in water-stressed areas normalised to revenue FY2022 to FY2024	(17)%	✓
Water	30 water saving projects FY2022 to FY2024	30 projects	✓
Normalised waste disposal	5% reduction FY2022 to FY2024	(19)%	✓
Packaging	24 packaging reduction projects FY2022 to FY2024	28 projects	✓

New targets

Smiths has set the following targets from FY2025:

	Target	
Normalised water use in stressed areas (c.15 locations[1])	5% reduction in water use in water-stressed areas normalised to revenue FY2025 to FY2027	Positive for our local environments and promotes climate resilience of our sites in water-stressed areas.
Normalised waste disposal	5% reduction in waste disposal normalised to revenue FY2025 to FY2027	Encourages reduction in overall waste and cost and continued increase in recycling.
Waste/circularity	30 waste/circularity projects FY2025 to FY2027	Supports continuing reduction in waste, packaging and raw materials.
Biodiversity	30 biodiversity projects FY2025 to FY2027	Positive for our local environments and colleague engagement.
Biodiversity – water	30 water saving projects FY2025 to FY2027	Positive for our local environments.

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

Social

Safety

Medium-term target: continuous improvement towards a zero-harm workplace. Group RIR below 0.4.

Performance

Recordable injuries		Recordable incident rate Per 100 employees		Lost time incident rate Per 100 employees	
FY2024	71	FY2024	0.44	FY2024	0.21
FY2023	64	FY2023	0.41	FY2023	0.14
FY2022	87	FY2022	0.56	FY2022	0.25
		FY2021	0.47	FY2021	0.20
		FY2020	0.35	FY2020	0.17

Zero work-related colleague or contractor fatalities in FY2024. Zero contractor recordable incidents in FY2024.

17,000+ safety look out observations and leadership tours in FY2024.

Employee engagement

Employee engagement is measured in our annual My Say survey. See page 13 for more information on My Say.

Medium-term target: E-sat: Upper quartile score (75+).

	E-sat score
FY2024	75
FY2023	73
FY2022	72
FY2021	71
FY2020	73

The survey response rate was 85% in FY2024 (FY2023: 84%). 13,590 comments were submitted in FY2024.

Developing talent

In FY2024 75% of open senior individual contributor and above roles were filled by internal candidates (FY2023: 70%).

Reward and recognition

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

Colleague benefits, which include access to an Employee Assistance Programme for colleagues and their families, rights to parental leave, the opportunity to request part-time or job share working and a paid volunteering day, are aligned across all our geographies, businesses and Group. Approximately 6,500 colleagues participate in our Group Annual Incentive Plan (AIP) and we are working towards alignment of local bonus plans in our businesses.

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

Equal opportunities

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

To support our diversity goals, we recruit using balanced slates and interview panels where possible and have gender-neutral job descriptions.

People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion based on their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability.

Gender and ethnic diversity

Medium-term target: 30% of senior leadership positions held by women by FY2025.

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

Other gender disclosures

	Male # of employees		Female # of employees		Definition
Board of Directors	6	60%	4	40%	
Executive Committee	7	64%	4	36%	
Senior Leadership Team	482	73%	180	27%	Senior Leadership Team is the metric used to track gender diversity at Smiths. It is defined as all colleagues on permanent and fixed-term contracts in senior leadership roles. These colleagues are able to influence and drive business results.
Total colleagues[1]	11,190	71%	4,575	29%	Employees on permanent and fixed-term contracts.
Senior managers (Companies Act)	192	82%	43	18%	Executive Committee plus Directors of subsidiary undertakings as defined by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
Senior managers (UK Code)	59	64%	33	36%	Executive Committee, including the Company Secretary, and their direct reports as defined by the UK Corporate Governance Code 2018.
Women in Leadership	59	65%	32	35%	Executive Committee and their direct reports as defined by FTSE Women Leaders.

1 Does not include 15 colleagues whose gender is unknown

Board diversity disclosures

As at 31 July 2024, the Board met all of its own diversity targets, as well as the targets set out in the Financial Conduct Authority's Listing Rule 6.6.6R(9)(a). Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), as at 31 July 2024 is set out below. The Board and executive management were asked to disclose which characteristic they identified with.

Sex/gender representation	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
Men	6	60%	3	8	67%
Women	4	40%	1	4	33%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity representation	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
White British or other White (including minority white groups)	8	80%	4	10	83%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	2	20%	–	2	17%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

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

Ethnicity disclosure

The Parker Review aims to enhance the ethnic diversity of UK boards. The review sets specific targets, such as having at least one director from an ethnic minority background on every FTSE 100 board and disclosing the percentage of senior management who are from ethnic minorities as well as setting a target for what this percentage should be at the end of 2027.

Smiths has accordingly sought this data from its senior management group as defined by the Parker Review and set an FY2027 target. 82% of the population responded. Smiths definition of ethnically diverse covers groups with lower representation in the organisation including Asian, Black and mixed multiple ethnic backgrounds.

Senior management[1] ethnicity representation	FY2024	FY2027 target
Identifying as ethnically diverse	**32%**	35%
Identifying as white	**68%**	

1 Defined as the Executive Committee and their direct reports.

Communities

In FY2024 the total value of annual grants made by the Smiths Foundation was c.£1m.

Going concern and Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 70. The financial position of the Company, its cash-flows, liquidity position and borrowing facilities are described on pages 22 to 23. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has undertaken a detailed going concern review, as set out on page 69, with a severe but plausible downside scenario taking into account everything that has been learnt since the COVID-19 pandemic.

At 31 July 2024 the net debt of the Group was £213m, a £174m decrease from 31 July 2023. At the end of July, the Group had available cash and short-term deposits of £459m. These liquid resources are immediately available with 98% invested with the Group's global banking partners. The Group's debt profile shows an average maturity of 2.6 years (from 3.6 years at 31 July 2023). There are no scheduled repayments of debt due until February 2027.

The Group maintains a core US$800m committed Revolving Credit Facility (RCF) from these banks, which matures in May 2029. The RCF was undrawn at 31 July 2024 and has no financial covenants attached.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of this Report. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Company and the Group.

In accordance with the requirements of the 2018 UK Corporate Governance Code, the Directors have assessed the longer-term prospects of the Group, taking into account its current position and a range of internal and external factors, including the principal risks detailed on pages 42 to 48 (the 'viability assessment').

The Directors have determined that a three-year period to 31 July 2027 is an appropriate timeframe for the viability assessment. The selected period is considered to be appropriate as, based on the historical performance of the Group, a three-year outlook represents an optimum balance of long-term projection and acceptable forecasting accuracy. The three-year viability assessment timeframe also takes into account considerations such as the maturity of the Group's borrowing facilities and the cyclicality of the performance of the Group's underlying markets. In making this viability assessment, the Directors have considered the current financial position and prospects of the Group, including the current year business performance, the detailed operating plan for 2025 and forecasts for 2026 and 2027. Against these financial projections, the Directors took into account the principal risks (as outlined on pages 42 to 48) to develop a set of plausible scenarios (as set out overleaf) with potentially high-impact outcomes.

In addition to the scenario-specific assumptions (detailed overleaf) the principal assumptions for this three-year viability assessment are as follows:

- FX rates for £ at US$1.28 and €1.15 and are modelled to remain at this level in the forecast period;
- Interest payments have been updated to reflect latest forecast interest rate increases with no further refinancing with overdrafts and the Group's RCF drawn to maintain our minimum cash requirements;
- Dividend payments projected to grow over the viability assessment period. Even under the downside scenarios it has been assumed that dividend increases are maintained, representing a potential mitigating action that could be taken;
- The bond due to be repaid in FY2027 of £550m is assumed to be refinanced in all scenarios at prevailing higher interest rates; and
- The previously announced £100m buyback is modelled to complete in FY2025 in all scenarios. The first £50m tranche completed on 6 September 2024. The timing for initiating the second £50m tranche has not been determined

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

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

As at 31 July 2024 the Group held a tradeable commodity through its investment in 1.92% of the equity in ICU Medical, Inc. The base case assumed that the Group could contemplate a further reduction in this investment, the cash inflows from which would remove any need to utilise the RCF over the period. The downside scenarios do not include any cash inflows from the sale of this investment.

The downside results below show the impact on EBITDA, net debt and headroom under each scenario.

The headroom includes the currently unutilised RCF of US$800m (£623m).

Based on the robust assessment, the Directors confirm that given the current strong cash position, under all scenarios they have a reasonable expectation the Group will remain viable for the period being assessed and will continue to operate and meet its liabilities as they fall due. The Directors have no reason to doubt that the Group will continue in business beyond the period under assessment.

Scenarios modelled

Scenarios	Link to principal risks	Scenario-specific assumptions
Scenario 1 A significant economic shock (political unrest or resurgence of a pandemic) leads to significant supply chain disruption, low customer demand and recessionary circumstances spanning several years and well in excess of the impact felt in FY2020/21.	Business continuity and Economy and geopolitics	– 20% fall in revenue across the Group in FY2025, a 10% fall in FY2026 and a further 5% fall in FY2027 compared to the base case. – 65% reduction in operating profit in FY2025 due to plant closures, customer and supply chain disruption, a 35% fall in FY2026 and 20% in FY2027. – Increased working capital due to stock builds and customer defaults. – No mitigating activities such as restructuring and headcount reductions
Scenario 2 One of John Crane's mechanical seals is identified as faulty and the cause of an explosion at a major refinery causing the deaths of two staff and significant damage to the plant. John Crane is sued for the costs of repair and restoration of the plant in addition to the consequential losses of plant closure.	Product quality	– Legal defence costs of £20m per annum plus a one-off payment of £100m in FY2025 in settlement of deceased's claims – Legal defence costs of £5m per annum over the review period in relation to agreement of restoration costs – Restoration costs of £50m spread over the three-year review period – Legal defence costs of £25m per annum over the review period in relation to mitigation of consequential loss claims – One-off payment of £250m payable in FY2025 in settlement of the losses claim – Insurance claim rejected
Scenario 3 Following a product cyber attack, a terrorism-related incident occurs at a US airport. As a consequence, the US Government revokes Smiths Detection's licence. Sales of Detection's products to the US Military and all other governmental contracts have been banned and due to the reputational damage, the impact of the ban will spread to other Group businesses.	Cyber security and Product quality	– Immediate loss of all US-based Government contracts within Smiths Detection – 25% fall in other Smiths Detection revenue over FY2025 – Loss of 50% of Interconnect's North America revenue – Legal defence costs of £10m per annum – £100m fine levied by US Government for security breach – £50m compensation paid to US Government in FY2025 in respect of previous products purchased that may have security flaws – Insurance claim under product liability is not met or delayed outside of the review period

Scenarios modelled continued

Scenarios	Link to principal risks	Scenario-specific assumptions
Scenario 4 Smiths Detection are found guilty of bribing government officials in Asian countries in order to land significant contracts. This damages the Group's reputation and leads to worldwide regulators imposing significant sanctions on the Group.	Legal and compliance	– Regulatory fines globally amounting to £100m – Loss of all future revenue in both China and India – 10% sales erosion in Detection's USA and EMEA markets due to reputational damage – £50m of severance costs incurred – 10% fall in revenue within other Smiths businesses due to the reputational impact
Scenario 5 A major fire at the John Crane plant in Czechia renders the facility unusable, causing severe disruption to production.	Business continuity	– Loss of six months EMEA revenue and margin in FY2025. – 20% reduction in future (FY2026 & FY2027) EMEA revenue due to loss in market shares and competitiveness – Breach of supply contracts leading to legal defence costs of £20m per annum plus a one-off settlement of £50m in FY2025 – Refurbishment and repair costs of £50m in Czechia (net of insurance claims) – Costs of increasing capacity at other John Crane sites additional £50m of cost – Capital expenditure on replacement equipment in Czechia of £20m (net of insurance claims)
Scenario 6 Combination of scenarios 2 and 3.	Product quality and Cyber security	– As above

The Strategic Report was approved by the Board on 23 September 2024.

By order of the Board

Roland Carter
Chief Executive Officer

Governance report

Chairman's introduction

I am pleased to introduce our Governance report, in which we describe our governance arrangements and how the Board discharged its responsibilities during the year.

I joined Smiths as a Director in September last year and was appointed Chairman of the Board at the conclusion of the Annual General Meeting (AGM) in November 2023. During the year we have continued to focus on Board succession planning, and were delighted to appoint Roland Carter as Chief Executive Officer, and to welcome Alister Cowan as a Non-executive Director. More information about both appointments can be found in the Nomination & Governance Committee report on page 83. This Committee also considers executive succession planning, and when Roland joined the Board there were subsequent changes to the Executive Committee. It is critical to the long-term success of Smiths that the Board and the senior leadership team possess the correct combination of skills, experience and expertise. Succession planning for both the Board and the Executive Committee will remain a key focus into FY2025.

We continue to meet our own and external diversity targets for the Board. For a Group such as Smiths, with a diverse workforce and a wide geographic spread, diversity is crucial. However, it is equally important that the Directors are capable and suitably experienced individuals. You will read in the Nomination & Governance Committee report about the changes made to the Board's governance framework this year. These included reducing the number of Committee appointments for all Non-executive Directors, to enable Board members to focus on areas of the business in line with their skills and experience. The biographies of our Directors can be found on pages 73 and 74.

At our AGM this year we will be presenting the Directors' Remuneration Policy to shareholders for approval, in line with the usual three-year cycle. Our new Remuneration & People Committee Chair, Karin Hoeing, explains the key elements of the Policy in the Committee report which you can find on page 97. The report also gives details of the Directors' remuneration in the last year, how that was calculated, and how it relates to corporate performance. The Audit & Risk Committee also has a new Chair, Richard Howes.

You can read about the work of that Committee in the report on page 87. In the report from our renamed Innovation, Sustainability & Excellence Committee you can find out about the discussions the Committee has had regarding the innovations and New Product Development in our businesses.

Smiths is an exciting and iconic business, and over the past year I have enjoyed working with Roland, Clare and the rest of the Board to help deliver on our strategic goals, enabling Smiths to reach our significant potential. I would like to thank the Smiths workforce and my fellow Directors for their work on shareholders' behalf this year. I would also like to recognise the considerable commitment of Sir George Buckley and Bill Seeger who both retired from the Board during the year.

Finally, I hope you find the following report interesting, and I would be happy to discuss any of the content at our upcoming AGM.

Steve Williams
Chairman

UK Corporate Governance Code compliance

In FY2024, and at the date of this report, the Company applied the Principles and complied with all Provisions of the FRC's UK Corporate Governance Code 2018 (the Code) as explained throughout this report, with the following exceptions:

Provision 21 – that FTSE350 companies should have an externally facilitated board review every three years. After careful consideration, the Board agreed to defer the FY2024 external review until FY2025 due to the appointment of a new Chairman and Chief Executive Officer, and changes to the Board Committee structure and memberships. An internal evaluation was completed with assistance from Lintstock, an independent third party. More information can be found on page 82.

Provision 24 – that the Audit Committee should have a minimum membership of three. For most of FY2024 our Audit & Risk Committee had three members. However, in June 2024, we were non-compliant for one month in the period between Bill Seeger retiring and Alister Cowan joining the Board. This non-compliance had minimal impact as there were no Committee meetings held during the transitional period, and other Board members had agreed to join the Audit & Risk Committee temporarily if necessary.

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

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

Role of the Board

The Board provides leadership to the Group, approving our strategy and overseeing its implementation with the aim of achieving long-term sustainable success for our shareholders and other stakeholders

The Board exercises oversight of Smiths, and in doing so ensures that the strategy is consistent with our purpose and is delivered in line with our culture and Values. The internal controls, risk management, viability and resilience of Smiths are constantly monitored by the Board, in support of growing and protecting stakeholder value.

The Board has approved a governance framework of systems and controls to effectively discharge its collective responsibility. This framework ensures that the Board has the information it needs to assess the risks and opportunities facing the Group. It includes the delegation of specific authorities to the Board's four Committees, as set out in this table. The governance framework, which includes the Schedule of Matters Reserved for the Board and the Terms of Reference for each of the Board's Committees, can be found on our website at www.smiths.com. It was reviewed by the Board and by each respective Committee during the year. Subject to applicable legislation and regulation and the Articles of Association, the Directors may exercise all powers of the Company.

Governance model

Board

Board Committees

Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Innovation, Sustainability & Excellence Committee
Reviews and makes recommendations to the Board on the structure, size and composition of the Board and its Committees. It also leads the process for Director appointments and Director and senior management succession planning. Oversees the ongoing suitability of the Group's governance framework.	Ensures the integrity of the Group's financial reporting and audit processes, and the maintenance of sound internal control and risk management systems, including oversight of the Internal Audit function and the Group's ethics and compliance activities. Manages the relationship with the external auditor, including making recommendations to the Board and shareholders in relation to the appointment and reappointment of the external auditor.	Responsible for the Group's Directors' Remuneration Policy and reviews and oversees the Group's remuneration strategy for the Executive Directors and senior management. Oversees, on behalf of the Board, the implementation of the People strategy for the Group, including the Group's approach to diversity, equity and inclusion.	Oversees the Group's approach to innovation, sustainability and excellence (ISE). This includes overseeing strategy in relation to innovation and sustainability, the Smiths Excellence System (SES) and reviewing and determining ISE targets, metrics and key performance indicators relating to remuneration.

Executive Management Committees

Executive Committee	Investment Committee	Disclosure Committee
Assists the Chief Executive Officer in discharging his responsibilities and is collectively responsible for implementing strategy, ensuring consistent execution and embedding the culture and Values.	Assesses high-value and high-risk proposals, capital expenditure, asset disposal and special revenue expenditure projects which require Chief Executive Officer or Board approval.	Advises the Chief Executive Officer and the Board on the identification of inside information, and the timing and method of its disclosure.

Read more
Nomination & Governance Committee report
→ Page 83

Read more
Audit & Risk Committee report
→ Page 87

Read more
Innovation, Sustainability & Excellence Committee report
→ Page 94

Read more
Remuneration & People Committee report
→ Page 96

Board biographies

Steve Williams
Chairman
Appointed: 1 September 2023
N R

Skills and experience: Steve has over 40 years of global experience, most recently as Chairman and CEO of international businesses. Steve brings a clear focus on ESG matters and has a strong track record of growth and transformation and in creating value for customers, shareholders, employees and communities as both an executive and non-executive director. Steve has a BSc in Engineering.

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

Other significant appointments: Chairman of Alcoa Corporation and Non-executive Director of Enbridge Inc.

Roland Carter
Chief Executive Officer
Appointed: 26 March 2024

Skills and experience: Roland has a strong track record of innovation, sustainability and delivering results, with deep operational and strategic experience developed over three decades at Smiths. He has extensive international experience, having worked in France, Germany, the US and China. Roland is a Chartered Engineer, holding both a Bachelor's degree in mechanical engineering and a Master's degree in electronics.

Career experience: Prior to Roland's appointment as Chief Executive Officer, he had been with Smiths Group for more than 30 years, holding numerous leadership roles within the business. Before being appointed Chief Executive Officer, Roland was President of Smiths Detection, President of Asia Pacific for Smiths Group and President of Smiths Interconnect.

Clare Scherrer
Chief Financial Officer
Appointed: 29 April 2022

Skills and experience: Clare's background working with and advising a diverse range of global industrial companies provides valuable insight to Board discussions. Her expertise aligns with Smiths' strong position in sectors such as energy, safety & security, and aerospace. She holds a BA from Harvard University and an MBA from the Harvard Business School.

Career experience: Prior to Smiths, Clare worked at Goldman Sachs for over 25 years. During her tenure, she was Partner for more than a decade and most recently served as Co-Head of the Global Industrial business. Before joining Smiths, Clare had been a close adviser to the Group for several years, providing guidance on the sale of Smiths Medical. Prior to her time at Goldman Sachs, Clare worked as a consultant at McKinsey & Company.

Other significant appointments: Independent Non-executive Director and Member of the Audit Committee of Legrand SA.

Pam Cheng
Non-executive Director
Appointed: 1 March 2020
R I

Skills and experience: Pam's experience in the areas of R&D, manufacturing, sales and marketing, commercial operations, supply chain management and technology strengthen the Board's discussions about embedding world-class operations. Pam holds a Bachelor of Science and a Master's degree in chemical engineering from Stevens Institute of Technology, New Jersey and an MBA in Marketing from Pace University, New York.

Career experience: Pam is Executive Vice President, Global Operations, IT & Chief Sustainability Officer at AstraZeneca plc, a multinational pharmaceutical and biopharmaceutical company. Pam assumed additional responsibility for the AstraZeneca sustainability strategy and function in January 2023. Prior to joining AstraZeneca in 2015, Pam was President of MSD (Merck & Co., Inc.) in China. Pam previously held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals.

Alister Cowan
Non-executive Director
Appointed: 1 July 2024
A

Skills and experience: Alister has experience at complex global public companies and brings deep and wide-ranging experience in key end markets for Smiths, notably in the energy and chemical sectors. Alister is a graduate of Heriot-Watt University in the UK and a member of the Institute of Chartered Accountants of Scotland, having qualified whilst at KPMG.

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

Other significant appointments: Independent non-executive Director and member of the Audit and Environmental, Health, and Safety & Operational Performance Committees at The Chemours Co.

Key
- N Nomination & Governance Committee
- A Audit & Risk Committee
- R Remuneration & People Committee
- I Innovation, Sustainability & Excellence Committee
- ● Committee Chair

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

Dame Ann Dowling
Non-executive Director
Appointed: 19 September 2018
R I

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

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

Karin Hoeing
Non-executive Director
Appointed: 2 April 2020
N R I

Skills and experience: As a current executive with experience of oil & gas, defence, security, and aerospace, Karin brings considerable guidance in ESG and sustainability matters, as well as executive and non-executive succession planning. As Chair of the Smiths Remuneration & People Committee, Karin oversees workforce engagement by the Non-executive Directors. Karin holds a Diploma in Geophysics (MSc Geophysics) from the University of Hamburg, Germany.

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

Other significant appointments: Non-Executive Director at 25x25.

Richard Howes
Non-executive Director
Appointed: 1 September 2022
N A

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

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

Mark Seligman
Senior Independent Director
Appointed: 16 May 2016
N A

Skills and experience: Mark's extensive non-executive background, including as senior independent director and audit committee chairman at several FTSE 100 companies, is valuable to our Board. During the year Mark was appointed to the role of Senior Independent Director. Mark has significant experience in corporate finance and capital markets, which supports Board discussions on portfolio management and strategy. Mark has an MA in philosophy, politics and economics.

Career experience: Mark is a former senior investment banker. During his executive career he held various roles at Credit Suisse, including Chairman of UK Investment Banking.

Other significant appointments: Senior Independent Director at NatWest Group plc; Alternate member at Panel on Takeovers and Mergers for the Association for Financial Markets in Europe; and Chairman of the Trustees, Brooklands Museum.

Noel Tata
Non-executive Director
Appointed: 1 January 2017
N I

Skills and experience: Noel has had a long and successful global business career, providing him with extensive knowledge of the high-growth economies which are crucial for our strategy. His contribution to developing key strategic relationships in Asia has been invaluable since joining the Board. Noel has a BA in Economics.

Career experience: Noel was the Managing Director of Tata International Limited (TIL), a global trading and distribution company and a trading arm of the Tata Group, a privately owned multinational holding company, until November 2021. Since then, he has held the role of Director and Non-Executive Chairman of TIL.

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

Matthew Whyte
Company Secretary
Appointed: 1 August 2021

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

Other Directors who served during FY2024
Sir George Buckley, Paul Keel and Bill Seeger stepped down from the Board in FY2024. Their biographies can be found in our FY2023 Annual Report.

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

Click here

How the Board operates

In support of the integrity of the Board's operations, there is a clear division of responsibility between Executive and Non-executive Directors. We have a schedule of matters which are considered significant to Smiths and have therefore been reserved for decision by the Board.

The items included in the Schedule of Matters Reserved for the Board is due to their strategic, financial or reputational implications or consequences. The formal schedule, which is integrated into our governance framework, can be found on our website. The Chief Executive Officer is responsible for preparing and recommending the Group's strategy to the Board and for the day-to-day management of Smiths Group. Executive management implement the strategy and provide the Chief Executive Officer, and the Board as a whole, with the information they need to make decisions that will determine the long-term success of the Group.

To ensure the continued effectiveness of the Board, the Chairman meets the Non-executive Directors without the Executive Directors present after each Board meeting. He also has separate meetings with the Senior Independent Director and the Chairs of the Board Committees on a regular basis, and with each of the other Non-executive Directors at least annually. The Senior Independent Director consults with the other Non-executive Directors without the Chairman present at least once a year, to assess the performance of the Chairman.

The Company Secretary ensures the distribution of clear, concise and balanced Board and Committee materials, in a timely manner. At each Board meeting the Chief Executive Officer and the Chief Financial Officer present separate reports, detailing business performance and progress against strategy. As part of the Board and Committee annual cycle, invitations to meetings are extended to business Presidents, heads of functions and subject matter experts. This also provides visibility of talent in support of executive succession planning. External advisers are invited to attend as necessary. Director attendance at Board and Committee meetings in FY2024 is set out below.

Director attendance[1]

	Board	Nomination & Governance Committee	Audit & Risk Committee	Remuneration & People Committee	Innovation, Sustainability & Excellence Committee
Steve Williams	6/6	3/3	–	5/5	–
Roland Carter[2]	2/2	–	–	–	–
Clare Scherrer	6/6	–	–	–	–
Pam Cheng[3]	5/6	1/1	2/2	4/5	4/4
Alister Cowan[4]	1/1	–	1/1	–	–
Dame Ann Dowling	6/6	1/1	2/2	5/5	4/4
Karin Hoeing	6/6	3/3	–	5/5	4/4
Richard Howes	6/6	3/3	4/4	2/2	–
Mark Seligman	6/6	3/3	4/4	2/2	–
Noel Tata	6/6	3/3	2/2	2/2	4/4
Sir George Buckley[5]	2/2	–	–	2/2	2/2
Paul Keel[6]	4/4	–	–	–	–
Bill Seeger[7]	5/5	1/1	3/3	2/2	–

1 Membership of the Board Committees was reviewed and updated during the year. More information can be found on page 84
2 Roland Carter was appointed as Chief Executive Officer in March 2024
3 Pam Cheng was unable to attend the November Board meeting and the July Remuneration & People Committee meeting
4 Alister Cowan was appointed as Non-executive Director in July 2024
5 Sir George Buckley stepped down as Chairman in November 2023
6 Paul Keel resigned as Chief Executive Officer in March 2024
7 Bill Seeger retired from the Board in May 2024

Division of responsibilities

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

Chief Executive Officer
- Develops and proposes strategy to the Board
- Sets and communicates the culture, Values, and Leadership Behaviours for the Group
- Leads the Executive Committee
- Manages the day-to-day operations of the Company
- Manages relationships with key stakeholders

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

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

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

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

Time commitment
All Directors must allocate sufficient time to their work in order to discharge their responsibilities effectively. An expected time commitment of 25 days per annum is set out in the Non-executive Director letter of appointment. However, Committee Chairs, the Senior Independent Director and the Chairman commit more time as required. In the normal course of business, Directors are expected to familiarise themselves with business priorities and challenges, prepare for and attend Board and Committee meetings, engage with stakeholders and participate in the Board review process.

Executive Directors are not permitted to take on the chairmanship or more than one non-executive directorship in a FTSE 100 company, or any other significant appointment. Any new external appointments are reviewed in advance by the Board, to consider potential conflicts and the proposed time commitment.

In FY2024 the Board concluded that the Chairman and the Non-executive Directors devoted sufficient time to fulfil their commitments to Smiths. This included considering the Directors' positions held at other organisations.

Particular consideration was given to Noel Tata's other commitments as he holds a number of board-level positions outside the Group. However, all of these are at Tata Group companies, as shown in his biography on page 74. The Board reaffirmed that Noel's other commitments do not prevent him from committing sufficient time to his work as a Director. For FY2024, this was evidenced by his attendance and effective participation at all Board and Committee meetings (of which he was a member). As a current executive with contacts in higher-growth countries which are a strategic focus for Smiths, he brings valuable and distinct experience to our Board discussions. In FY2025 the Board is scheduled to visit our Indian operations.

Advice and insurance
Our Directors are able to seek independent professional advice at the expense of Smiths to enable them to fulfil their obligations as members of the Board. In addition, the Directors and Officers of Smiths and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. During FY2024, and at the date of this report, qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) have remained in force for the Directors of the Company and certain other employees in respect of their directorships of some subsidiary companies in relation to certain losses and liabilities which they may incur (or may have incurred) to third parties in the course of their professional duties for the Company, or a subsidiary.

Board activity and key decisions

A summary of the Board's activity and key decisions taken in FY2024 is set out below. The stakeholder groups considered as part of the decision-making process are listed under each key decision.

Strategy

At the two-day strategy Board meeting in May each business presented their refreshed strategy. The Board reaffirmed the strategic priorities, including organic and inorganic investment. The Board also endorsed the Group's People strategy

People, Customers, Suppliers, Communities, Governments & Regulators, Investors

- Received enhanced reporting from each of the businesses to ensure that stakeholder considerations were embedded in decision-making
- Received regular sustainability updates, including reports on progress against our sustainability targets
- Received updates from external speakers on strategically significant topics including geopolitics and Artificial Intelligence

People and Culture

- Discussed Board succession planning and approved the appointment of a new Chief Executive Officer and Non-executive Director. See pages 83 to 85 for more information.
- Approved a revised Directors' Remuneration Policy following consultation with shareholders, who will be asked to approve the Policy at the 2024 AGM. See page 97 for more information.

People, Investors

- Discussed senior management succession planning, including the talent pipeline across the Group, and endorsed the appointment of two new Executive Committee members
- Received updates from the Non-executive Directors on their workforce engagement activities. The entire Board visited the John Crane facility in Slough, where they met with local employees
- Received regular health and safety reports and statistics
- Reviewed the implementation of the Group's People strategy and a deep-dive on culture
- Monitored the Group's culture through the results of the My Say engagement survey
- Received updates about the Group's pension arrangements
- Reviewed the work of the Smiths Group Foundation
- Approved the Board Diversity Policy and the Modern Slavery Statement for publication on the website

Finance

- Agreed the Company's capital allocation priorities in the context of its investment strategy and growth agenda. This included approving the share buyback programme, the final dividend for FY2023 and the FY2024 interim dividend, the sale of ICU Medical Inc. shares and M&A-related expenditure, including the acquisition of HCP
- Approved the FY2024 financial budget
- Approved the Group's financial results announcements and the FY2023 Annual Report

Investors

- Considered individual business performance through deep-dives as part of the annual Board and Committee meeting cycle
- Approved the Tax Policy

Governance and Oversight

Approved the Group's principal risks

People, Customers, Suppliers, Communities, Governments & Regulators, Investors

- Approved and confirmed the conflicts in the Conflicts of Interests register and changes to the Board's governance framework. More information can be found on pages 84 and 85
- Received updates on the Group's principal risks, including deep-dives at the Audit & Risk Committee. More information can be found on page 92
- Continued oversight of the internal control framework to ensure an effective control environment
- Approved and provided oversight of the Ethics & Compliance annual work programme, including regular updates on the Group's Speak Out whistleblowing hotline
- Undertook an internal Board review on the effectiveness of the Board and its Committees. See page 82 for more information
- Considered investor feedback following the Group's financial results announcements, investor roadshows and John Crane investor deep-dive

Key decisions
These decisions are considered key to the Group

Stakeholder engagement

Understanding the needs and priorities of our key stakeholders and building strong and positive relationships is critical to our success. Stakeholder engagement takes place across the Group, by management teams within our businesses and by the Board.

In a business as diversified as Smiths, engagement with most stakeholder groups is handled locally by management, or by specialist Group teams. The Board engages directly where it can add value, or if there are issues which warrant its involvement. This is particularly true of engagement with customers and suppliers (the majority of which are unique to a specific business), but it also applies to governments, regulators and our local communities. The Board maintains oversight of our engagement with stakeholders to ensure positive relationships that support the Group's operations.

The outcomes of stakeholder engagement, including concerns raised, are reported to the Board and its Committees on a regular basis through our usual processes that support informed decision-making. In FY2024 we have matured our approach to considering stakeholder views. Discussion and decision-making by the Board takes the views of key stakeholders into account in order to balance their needs and effectively build the sustainable, long-term success of the Group.

Engaging with our stakeholders

Our people

Our people are vital to the success of Smiths. We aim to attract and retain the very best by creating an environment based on respect, personal growth, recognition and development of talent, and a sense of belonging and purpose. Our culture is a powerful asset and empowers and enables our people to deliver our purpose. It is supported by our Values and our Leadership Behaviours which influence every decision, guide how we behave, and help make Smiths a place where people are happy and proud to work.

Our commitment to our people starts with keeping everyone safe and healthy. Looking after our colleagues in the workplace is an essential foundation and our number one focus. The Board receives health and safety reports at every Board meeting so they can understand health, safety and well-being and physical security management at Smiths.

As part of our Non-executive Director workforce engagement programme, across the year the Directors met with colleagues of varying seniority, allowing for informal introductions to Board members. These engagements included the entire Board visiting the John Crane facility in Slough and a Non-executive Director visiting our site in Bangalore, India. Non-executive Directors joined Senior Leadership events for discussions about innovation and reward, and attended the Smiths Excellence Awards ceremony. They also joined meetings with teams in the business and in corporate functions. Talent Roundtables were held to discuss top talent and identify potential Executive Committee successors.

The Board and Remuneration & People Committee receive regular updates and deep-dives from the Chief People Officer on employee engagement, reward, talent, and diversity and inclusion. They also monitor KPI metrics relating to those areas. Engagement can be measured by our annual My Say engagement survey, which had a high response rate of 85% this year. It was encouraging to see that all of our businesses tracked improvement in engagement. Our My Say results can be found on page 13. We value all aspects of diversity and we are targeting improved gender balance, particularly at senior management level. To support this, Karin Hoeing hosted a company-wide webinar about the importance of our Values alongside the Group General Counsel. Initiatives such as these are important as we continue to foster a more inclusive environment.

Engaging and communicating on ethical matters is also vitally important, as is colleagues having trust in our procedures. The Audit & Risk Committee is provided with updates on 'Speak Out', our confidential reporting hotline, and other reports and statistics relating to the Group's ethical policies and performance. This ensures integrity remains on the agenda as a key driver of Smiths culture. Employees are encouraged to speak up so intervention can be made as necessary.

Our customers

Meeting customer needs and exceeding their expectations with products, quality and service, and the way we conduct business and pay attention to the things that matter to them, is a fundamental part of our operating model and our Values. Strong and enduring customer relationships will sustain Smiths into the future. Management teams engage with customers through formal feedback activities such as surveys, quarterly business reviews, aftermarket service team reviews, and senior team meetings with key customers. They also integrate informal feedback from conversations had with customers by our operational and field-based teams. Customers and market challenges are considered as part of monthly business performance updates to the Executive Committee with a deep-dive every quarter.

Board level deep-dives on the performance and strategy of our four businesses are held on a rotational basis. These updates include customer data and commentary. In addition, the Board monitors

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performance indicators relating to customer satisfaction such as On-Time-In-Full (OTIF) and Cost of Poor Quality (COPQ) and any necessary remedial action.

The ISE Committee reviews the progress of strategic projects as well as new products introduced to market. On a rotational basis our four businesses provide deep-dives on innovation and new product development. For more information see the ISE report on pages 94 and 95. During the year the Board also reviewed key market and sector-specific macroeconomic indicators to understand the impact of the macroeconomic environment on our customers. During FY2025 we plan to provide enhanced customer updates to the Board.

Our suppliers

Developing mutually beneficial relationships with our suppliers and building resilience, quality, efficiency and the ability to effect change across our supply chain is a fundamental contributor to our customer offer and the long-term sustainability of Smiths. We operate a total value supply chain approach that considers all aspects of a supplier's contribution to generate and capture value. This includes ethical and environmental matters, including GHG reduction and Science-Based Targets, treatment of personnel, and alignment with our Values, continuous improvement and risk.

Management teams meet regularly with suppliers to review performance, discuss new business opportunities, set goals and work on improvement areas. For our higher value and/or more complex products, management engages with our suppliers at the highest level to partner on R&D, new product introduction, quality and continuous improvement projects. Updates on suppliers and supply chain are included in business performance updates to the Executive Committee.

In line with our Supplier Code of Conduct, our suppliers are expected to meet our anti-bribery and corruption and labour rights standards and to comply with our standards on quality, health and safety, and the environment. In FY2024 we introduced the EcoVadis supplier management platform which will help us manage supplier relationships to explicitly support our ESG commitments and reporting.

Our communities

We aim to contribute positively to our communities and society in general. Smiths products and services support critical global industries where we are creating social and environmental value by making the world safer and improving environmental performance. Our operations around the world play a beneficial role in local economies through job creation and skills development; procurement and generating tax revenues; and operating safely, environmentally responsibly and ethically. Healthy and prosperous communities and supportive relationships inspire and promote a sense of pride and ownership in our people.

Our teams across the world engage directly with their local communities through fundraising, charitable giving and education initiatives. Science, technology, engineering and maths (STEM) education initiatives are particularly important to management and to our colleagues as a way to share their passion for engineering and encourage young people to consider careers in the sector.

Engaging with our communities is overseen by the ISE Committee which is provided with updates on the Smiths Group Foundation, our charitable giving foundation with a committed initial fund of £10m. Grants are available to charitable organisations nominated by our colleagues which are in line with our purpose.

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

Governments and regulators

Governments and regulators are vital to our business as they are policy setters and influencers in the markets where we operate. In the normal course of business, we build relationships with governments, policymakers and regulators across the world. We do this at both Group and at business level so that we are able to operate effectively and to ensure our interests, and those of the industries we serve, are represented in decision-making.

Our Government Relations team based in the UK, US, Europe and Asia guides and supports our relationships with key regulators, local policymakers, budget holders and industry groups. It also leads our outreach and relationship programme with government bodies and regulators, with the aim of promoting a deeper understanding of the Smiths culture and products. The team enables greater access to funding both at regional and national levels, through engagement with key agencies ahead of and during funding programmes.

Updates on regulatory processes for approval of new products are provided during business performance reviews at the Executive Committee. The Board is updated by the Chief Executive Officer or during business deep-dives.

Our investors

We are committed to openness and transparency with all capital providers and to the effective management of risk. We report routinely to shareholders through our formal results activities and undertake regular meetings and one-off events such as capital markets days and investor conferences. Third-party analyst and broker briefings also form part of our communications schedule. Shareholders are directly consulted by the Board on matters such as our Directors' Remuneration Policy and views are sought on key corporate activity. In addition, shareholders are invited to our AGM to submit questions to the Board in person or in advance of the meeting.

During the year, the Chairman met with key shareholders following his appointment and the appointment of Roland Carter as Chief Executive Officer. The Chief Executive Officer and the Chief Financial Officer host results presentations and Q&A sessions for current and prospective investors. They carry out regular and proactive shareholder engagement, and attended investor conferences throughout the year.

Section 172 statement

During the year ended 31 July 2024, the Board has acted in accordance with Section 172(1) (a) to (f) of the Companies Act 2006 (the 'Act'), with each Director acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors had regard to the interests of other stakeholders, whilst maintaining and overseeing high standards of business conduct. Our approach to key stakeholders and the related matters considered by Directors during the year are outlined in this section. Further related information can be found in the Board activity, Stakeholder engagement and Principal risks and uncertainties sections on pages 77 to 79 and 42 to 48.

	How our Directors address the matters set out in Section 172	Matters considered by Directors in FY2024
The likely consequences of our decisions in the long term	The Board recognises the need to take long-term, sustainable decisions for the Company whilst understanding the impacts these decisions could have on our stakeholder groups. At times, there will be conflicting interests between stakeholder groups and the Board will consider the impacts on all groups and make decisions as fairly as possible. To support this decision-making, the Board is provided with detailed reports from the business to ensure all relevant factors are taken into account. The Board particularly seeks to support the Group in delivering its strategic objectives whilst maximising value for shareholders and minimising any negative impacts on its stakeholder groups.	– Sustainable growth – Shareholder returns – Budget planning – Capital allocation decisions – Delivering against our strategy – M&A activity – Impact on our stakeholders and the environment
Considering the interests of our people	Our people help us drive performance and achieve our strategy. Smiths Group's key priorities include to attract and retain the very best talent and to provide a safe and positive working environment to get the best out of our workforce.	– Health, safety and well-being – Purpose and culture – Ethical behaviour – Reward and recognition – Employee retention and engagement – Talent pipeline and development – Diversity, equity and inclusion – Smiths Group Foundation
Fostering business relationships with suppliers, customers and others	We aim to apply best practices, develop skills and capabilities, and deliver continuous improvement in execution to enhance the overall experience of our customers. Meeting customer needs and exceeding their expectations with products, quality and service, and the way we conduct business, is a fundamental part of our operating model and our Values. Developing mutually beneficial relationships with our suppliers and building resilience, quality and efficiency across our supply chain is a fundamental contributor to our customer offer and the long-term sustainability of Smiths.	– Product innovation, lead times, quality and aftermarket service – ESG performance of products to help customers meet their own ESG goals – Long-term strategic relationships – Mutual confidence and respect – Ethical and safety standards of third parties – Economic growth and prosperity

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The impact of our operations on the community and the environment	We aim to improve our world by contributing positively to our communities and society in general. Smiths products and services support critical global industries where we are pioneering progress in safety, efficiency and environmental performance.	– Safe and effective operations – Green technology, environmental performance, respecting natural resources – Fair employment, skills development and prosperity – Ethical behaviour – Charitable donations – Environmental, and health and safety risks
Maintaining our reputation for high standards of business conduct	Smiths has a mature and proactive governance framework which the Board follows when making decisions. Exacting standards, robust processes and our commitment to transparency safeguard the Group's market positions and reputation and mean that stakeholders can have confidence and trust in Smiths. We have global policies and processes which allow all operations within Smiths to work in an appropriate manner.	– Complying with laws and regulations – Producing safe and high-quality products – Robustness of internal controls – Emerging regulatory environments
Acting fairly between our shareholders	Smiths seeks to act fairly between all shareholders. Smiths provides regular updates on Company performance which allows shareholders to be kept informed of performance against strategy and make informed investment decisions. Our AGM is the annual forum for all shareholders to liaise with the Board.	– Impact of share buybacks on shareholders – Format of the AGM – Shareholder meeting opportunities for new Chairman and Chief Executive Officer – Remuneration outcomes

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Board review

The performance of the Board, its Committees and individual Directors is reviewed annually. In line with the Code, the review should be externally facilitated every three years.

Last year the Board confirmed its intention that the FY2024 review would be externally facilitated. As Independent Audit had supported the Board review process for six years, including the last externally facilitated review in FY2021, the Chairman and the Company Secretary, overseen by the Nomination & Governance Committee, conducted a process to identify a new provider. Further to this process Lintstock Ltd were appointed in early 2024. Lintstock are independent of Smiths and do not provide the Group with any other services. They are a Corporate Governance Institute accredited Board reviewer.

Deferral of the externally facilitated review

Interviews with individual Directors for the externally facilitated review were due to commence in May 2024. However, in March 2024 the Board agreed that the externally facilitated interviews should be deferred until FY2025. This was due to the appointment of a new Chairman and Chief Executive Officer, a new Board Committee structure, revised Committee memberships and the appointment of new Committee Chairs. More information about this can be found in the Nomination & Governance Committee's report on page 84. This deferral would allow the leadership and governance framework changes to be embedded before an external review was conducted, thereby providing more value and insight to the Board.

The FY2024 review process was conducted via a series of questionnaires for Directors and, for the first time, Executive Committee members and the Company Secretary, supported by Lintstock. A summary of the FY2023 review findings and actions taken during the year, along with a summary of the actions agreed following the FY2024 review, are set out below. Overall, the Board agrees that significant progress was made across all areas.

Board review findings and actions

FY2023 review findings	Progress in FY2024	FY2024 review findings
Strategic decision-making		
– Focus on developing a long-term growth strategy, with specific attention to the approach to inorganic growth and establishing risk appetite	– The Group's Strategy was reviewed in May and again at the July Board meeting – Updates on potential inorganic growth opportunities are provided at each Board meeting	– The Group's strategy should continue to be an immediate focus area, including inorganic growth plans
Succession		
– Align succession plans to the skills required to deliver on the organisation's strategic objectives – Continued focus on the executive talent pipeline	– Succession, with a focus on composition, skills and experience was a regular item on the Nomination & Governance Committee agenda – The Nomination & Governance Committee increased time spent considering executive talent. In addition, certain senior leaders have been allocated Board-level mentors – Strength of succession planning and talent development was demonstrated through the internal Chief Executive Officer and other Executive Committee appointments	– Longer-term non-executive and executive succession planning and executive talent development should continue to be a focus in FY2025
Stakeholder engagement/external insight		
– Increase focus on external stakeholders, including customers and suppliers	– Business performance updates now include enhanced stakeholder content – The Board undertook a deep-dive on culture in January and people and culture were considered as part of the May Board strategy sessions – The Board received updates from external speakers on strategically significant topics including geopolitics and Artificial Intelligence	– Opportunity to enhance external insight into stakeholders, notably customers and suppliers and the competitive landscape – Additional Board site visits and external speakers to be considered

Nomination & Governance Committee report

Steve Williams
Chairman of the Nomination & Governance Committee

Committee membership

Steve Williams
Karin Hoeing
Richard Howes
Mark Seligman
Noel Tata

Top Committee activities this year

- Appointment of a new Chief Executive Officer
- Board succession planning, including the appointment of a new Non-executive Director
- Review of the Board's governance framework, including Committee structure and memberships

Chairman's statement

I am pleased to present the Committee's report for FY2024, my first as Chairman of the Committee. The Committee's remit includes reviewing the structure, size and composition of the Board and its Committees which has been a key focus this year. We are committed to maintaining a diverse Board, with a variety of skills, experience and expertise – diversity is key to our effectiveness, and the long-term success of Smiths.

Succession planning and developing an effective and impactful Board was a key priority in FY2024. During the year we were pleased to welcome Roland Carter to the Board as Chief Executive Officer and Alister Cowan as a Non-executive Director. Further details of the appointment processes can be found on pages 84 and 85. Sir George Buckley and Bill Seeger retired from the Board in November 2023 and May 2024 respectively, and Paul Keel stepped down as Chief Executive Officer in March 2024. I would like to thank each of them for their significant contribution to Smiths over the years. In addition to these changes, Mark Seligman assumed the role of Senior Independent Director following Bill Seeger's departure.

There were also a number of Committee Chair changes with Richard Howes being appointed as Chair of the Audit & Risk Committee and Karin Hoeing being appointed as Chair of the Remuneration & People Committee. In addition, I assumed the role of Chairman of the Nomination & Governance Committee.

During the year we also oversaw the continued development of senior management succession plans and the talent pipeline. We endorsed the appointments of Jerome de Chassey and Kini Pathmanathan to the Executive Committee. Jerome de Chassey leads our Detection business and Kini Pathmanathan holds the new role of Head of Smiths Excellence and Sustainability. Kini's role leads our new combined function of Excellence and Sustainability, bringing together these two critical priority areas which are increasingly aligned. Both appointments were internal promotions, demonstrating Smiths focus on internal talent and effective succession planning.

The Committee also undertook a thorough review of the Board's governance framework, recommending several changes to the Board earlier this year including retiring the Finance Committee and changes to the membership of each of the Board Committees. These were approved, and we are seeing the benefits of a more efficient Board Committee structure.

More information about our activities can be found on the following pages. I would like to thank members of the Committee for their hard work during my first year as Chairman.

Steve Williams
Chairman of the Nomination & Governance Committee

Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The Chief Executive Officer is normally invited to attend Committee meetings. The Company Secretary acts as secretary to the Committee. Other members of senior management, including the Chief Financial Officer and the Chief People Officer, are invited to attend as necessary.

Committee performance review

In FY2024, the performance of the Committee was considered as part of the internal Board review process (described on page 82). Overall, it was confirmed that the Committee continues to operate effectively and that the changes introduced during the year were providing benefits.

Selection and appointment of a new Chief Executive Officer

The Chairman, with significant involvement from the Committee, oversaw the selection and appointment of Roland Carter as successor to Paul Keel, who left the Group in March shortly after accepting a role at a US public listed company.

Identify

The Board has a robust executive succession planning process in place. This takes diversity in all its forms into account. The senior leadership team had been strengthened through deliberate development activities to ensure there were internal candidates who could be successors to Executive Committee members, including the Chief Executive Officer. The Board followed a rigorous process to identify the most suitable candidate for the Chief Executive Officer role, including a benchmarking exercise of external candidates undertaken by Russell Reynolds, an independent executive search consultant which has no connection to the Company, other than in assisting and facilitating in the search for senior management.

Select

The Committee considered Roland Carter's extensive experience over three decades at Smiths, including his leadership of two of the Group's businesses and as President of Smiths Asia Pacific. The appointment of Roland, a chartered engineer with a deep knowledge of our end markets and industry sectors, and a strong focus on innovation and sustainability, ensured a smooth transition and minimal disruption to the business. The Board approved the appointment of Roland Carter as a highly regarded leader, who could take the business forward in its next stage of growth.

Considerations

The succession process in the Smiths Detection business, where Roland Carter had been President, enabled Jerome de Chassey, previously Vice President, Commercial at Smiths Detection, to be appointed as President of Smiths Detection. All subsequent vacancies created by Roland Carter's appointment were filled by internal candidates, thereby demonstrating the talent and succession planning process with Smiths.

Appoint

Roland Carter's appointment as the Group's Chief Executive Officer and as a Director took effect on 26 March 2024. Roland will be subject to election by shareholders at the 2024 AGM.

Induction

A tailored induction programme started immediately following Roland Carter's appointment as Chief Executive Officer, taking into account his extensive experience at Smiths and his existing knowledge of the Group's end markets and industry sectors. The programme focused on briefings on the role and responsibilities of being a UK listed company director, and meetings with corporate advisers, investors and other stakeholders. Roland also had individual meetings with all of the Non-executive Directors and he visited several of the Group's sites.

Governance

The Committee is responsible for keeping the Board's governance framework under review, and during the year it led a comprehensive review of the Board's Committee structure and memberships. The review considered best practice governance frameworks for UK public companies, alongside the requirements of the UK Corporate Governance Code (the 'Code'). In particular, the Code recommendation that committee memberships are periodically refreshed and that individual directors are not overburdened.

The Committee presented the Board with several recommendations. The first was to retire the Finance Committee, which was initially established to support the sale of Smiths Medical. The review identified that Committee's responsibilities were largely considered business as usual or could be overseen by the Board or other Committees. The reduction in the number of Board Committees introduced operational and administrative efficiencies into the Board calendar.

The Committee also recommended changes to Board Committee membership, reducing the number of Committee appointments for all Non-executive Directors. This enables Board members to focus on areas of the business in line with their skills and experience, and the reduced Committee sizes provides enhanced opportunities to add value to discussions for Smiths and the Directors.

The final recommendation related to reporting. The Committee reviewed the level and materiality of business reporting at the Board and its Committees, and recommended changes to better help Directors focus on material matters and to allow management to streamline their reporting and information flows, focusing on the key matters at hand. The quality and level of reporting is continually monitored to ensure Directors discharge their responsibilities effectively.

The Committee's recommendations were approved by the Board in January 2024 and were effective from February 2024. The Board review demonstrated the positive effects of these changes. In addition, in July, as part of the Committee's ongoing assessment of the Board's governance framework, the Committee recommended to the Board the change in name of the Science, Sustainability & Excellence Committee to the Innovation, Sustainability & Excellence Committee. This change better reflects that Committee's oversight of innovation and was approved by the Board. The Committee also reviewed the Board skills and experience matrix and its own Terms of Reference during the year. Looking ahead, the Nomination & Governance Committee remains committed to assessing the effectiveness of the Board and will also continue to monitor emerging governance trends, regulatory changes, and industry developments.

Selection and appointment of a new Non-executive Director

As part of the Committee's succession planning activities, the Chairman led the search for a Non-executive Director to replace Bill Seeger, who stood down from the Board in May 2024. Bill Seeger's role as Chair of the Remuneration & People Committee had been transitioned to Karin Hoeing earlier in the financial year, and Mark Seligman took on the role of Senior Independent Director in May. The search process was supported by Russell Reynolds, an independent executive search consultant which has no connection to the Company, other than in assisting and facilitating in the search for senior management. Russell Reynolds is a signatory to the Enhanced Code of Conduct for Executive Search Firms.

The Board keeps the skills and experience necessary to help support management deliver and provide oversight of our strategy under constant review. Accordingly, the Committee developed a role profile which included key attributes required for the role when Bill Seeger retired. The details of the role profile and requirements of the role were shared with Russell Reynolds, who identified an extensive and diverse list of potential candidates. The shortlisted candidates were interviewed by members of the Committee and the Executive Directors, who considered the merit of each individual. The Committee was unanimous in its selection and recommended to the Board that Alister Cowan be appointed as Non-executive Director, given his breadth of experience and fit to the attributes in the role profile. Prior to his appointment, the Board considered Alister Cowan's external roles and agreed that there was no conflict which might impact his role at Smiths, and that he would have sufficient time to fulfil his responsibilities to the Company.

A comprehensive induction programme developed specifically for Alister Cowan, considering his previous experience, knowledge, and skills, is underway. This involves meeting with senior leaders in the business, the Group's external auditor, as well as visits to the Group's operations. Alister Cowan also had a briefing on the role and responsibilities of being a UK listed Company Director.

Induction

To ensure that they are able to effectively contribute to discussions and decision-making, all of our Directors participate in an induction programme on joining the Board. Based on the personal experience and background of each Director, their individual induction programme is tailored to provide them with the necessary knowledge and understanding of the Group, its markets and its material stakeholders.

Tailored induction programmes for Steve Williams, Roland Carter and Alister Cowan were undertaken during the year, to assist the development of their knowledge and understanding of the Group and their role. The induction programmes include visiting Group operations and meeting with senior leaders across the business and key external advisers. Information on Roland Carter's induction can be found in the adjacent box. Details of the selection and appointment of Steve Williams, and his induction programme, can be found on page 88 of the FY2023 Annual Report.

Information and training

In order to operate effectively our Directors must receive accurate, timely and high-quality information. The Company Secretary and his team assist the Chairman and Chief Executive Officer in ensuring effective information flows and that the Directors are provided with all relevant information to enable them to discharge their responsibilities. All employees who write Board and Committee papers are invited to attend bi-annual effective paper writing workshops, focused on producing high-quality reports and presentations for the Board and its Committees.

Smiths Directors are given the opportunity to update their skills and experience on a regular basis. This year external speakers attended the Board to present on several strategically significant topics including geopolitics and Artificial Intelligence. On a regular basis the Directors are provided with formal reports and updates from the businesses, functional leaders and external advisers, to ensure they remain aware of business priorities and external developments. Any individual development needs are discussed with the Directors at the annual performance evaluation.

Independence and objectivity

The Board keeps the independence of the Non-executive Directors under continuous review. In July 2024, the Committee reviewed the guidance contained in the Code and assessed the performance and independence of each of the Non-executive Directors. Having served on the Board for more than six years, the continued objectivity and independence of Mark Seligman and Noel Tata were subject to rigorous review. Dame Ann Dowling reached her six-year anniversary in September 2024, and so was also subject to rigorous review. The Committee concluded that each of the Non-executive Directors contributed effectively to the operation of the Board and that they should all be considered as independent and objective.

Director election and re-election

Each year the Directors are subject to election or re-election by shareholders at the AGM. The Chairman, on behalf of the Board, has confirmed that each Non-executive Director standing for election or re-election at this year's AGM continues to be an effective member of the Board and has demonstrated the commitment required. For more information about the expected time commitment of our Directors, see page 76. On behalf of the Board, the Senior Independent Director has confirmed that the Chairman continues to be effective and supports his re-election to the Board at the AGM. The rules regarding the appointment and replacement of Directors are determined by our Articles of Association and the Act. The Articles of Association can be found on our website and can only be amended by a special resolution of shareholders.

Conflicts of interest

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

Diversity

Diversity of thought and background is essential and will remain one of the key criteria by which candidates are selected for the Board, and for individual Committee membership, and the pipeline for senior leadership positions. Members of the Board, each Board Committee and senior management will collectively possess diversity of gender, age, sexual orientation, disability, and ethnic, socio-economic and professional backgrounds. This is in addition to cognitive and personal strengths, and a combination of skills, experience and knowledge.

The Committee is responsible for recommending appointments to the Board following its regular assessment of the Board and its Committees' composition. The Committee makes recommendations based on the merit of individual candidates, having due regard for the benefits of diversity in the broadest sense, and also the need to ensure the effective functioning of the Board at all times, especially as membership of the Board is refreshed. The Committee also considers the Group's strategic objectives. Accordingly, the Committee only partners with firms accredited under the Enhanced Code of Conduct for Executive Search Firms. The use of Executive search firms helps to ensure non-UK nationals, women and candidates from historically under-represented ethnic groups are represented on the shortlist for Board positions.

As at 31 July 2024, the Board met all of its own diversity targets, as well as the targets set out in the Financial Conduct Authority's Listing Rule 6.6.6R(9)(a). Numerical diversity data, in the format required by Listing Rule 6.6.6R(10), as at 31 July 2024 is outlined on page 67.

Diversity performance against targets

Gender – Board
Policy target

At least 40% of the Board to be female

Policy target: 40%

Female **40%** Male **60%**

Gender – Key Board Positions
Policy target

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

Policy target: 1

Female **1** Male **3**

Background
Policy target

At least 50% of the Board with a majority of their professional background outside of the UK

Policy target: 50%

Outside the UK **50%** UK **50%**

Ethnicity
Policy target

At least one Director from a historically under-represented ethnic group

Policy target: 1

Historically under-represented ethnic group **2**
Non-Historically under-represented ethnic group **8**

Diversity information for the Group, including the disclosure required by the UK Corporate Governance Code, can be found on pages 66 and 67.

The Board Diversity Policy can be found on our website.

Read more about Diversity, Equity and Inclusion at Smiths in our Sustainability at Smiths report.

Click here

Audit & Risk Committee report

Richard Howes
Chair of the Audit & Risk Committee

Committee membership

Richard Howes
Alister Cowan
Mark Seligman

Top Committee activities this year

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

Chair's statement

I am pleased to present the Committee's report for FY2024, marking my first report since being appointed Chair of the Committee in November. In July 2024, we welcomed Alister Cowan to the Committee. Alister's extensive experience as CFO at several global public companies is a valuable asset to the Committee. I would like to express my gratitude to Mark Seligman for six years of service as Chair and to Bill Seeger for his eight years of contribution to the Committee.

As part of my induction as Chair of the Committee, I engaged in in-depth discussions with the finance team on several matters. These included the Group's management controls, capitalisation of development costs, intangible assets, business acquisition accounting, and the policies and procedures for various accounting provisions and judgements. I also met with KPMG several times.

These interactions have deepened my understanding of Smiths' approach to these significant judgements and broadened my knowledge, allowing me to challenge management more effectively on the associated risks and enabling me to apply additional professional scepticism.

A key focus this year has been the ongoing monitoring of the Group's control environment to ensure we can report on the effectiveness of all material controls by FY2027, in accordance with the UK Corporate Governance Code 2024 amendments. We received regular updates on the internal controls enhancement (ICE) programme, which aims to further develop Smiths' critical financial and reporting controls. Deep-dives from each business demonstrated how these controls are being embedded throughout the Group. We are pleased with the progress and the broader benefits the programme is delivering, which are aligned with our commercial objectives. In addition to reviewing the ICE programme's progress, we conducted a detailed risk and assurance mapping exercise, initially focusing on our climate change principal risk. This provided the Committee with a greater understanding of the related material controls and existing levels of assurance. In FY2025, we will undertake the same exercise for all principal and other relevant risks.

During the year, the Committee assessed the Group's principal risks. Given our organic revenue performance, we agreed with management that organic growth should no longer be a standalone risk. We believe this risk is effectively encompassed in our commercial and technology principal risks. For more details on our principal risks, please refer to page 42 to 48.

Behaving ethically, legally and with integrity is a fundamental part of our culture and monitoring these falls within the Committee's remit. This year, we conducted an in-depth review of our legal and compliance principal risk at both the September and March Committee meetings, focusing on anti-bribery and anti-corruption risks as well as the role of agents and distributors ('intermediaries'), the risks they may pose, and the controls in place to mitigate these risks. Additionally, the Committee examined our fraud risks in light of the UK Economic Crime and Corporate Transparency Bill. As fraud risks are dynamic and continually evolving, it was beneficial to understand how our control framework adapts to address these risks.

As a Committee, we continue to ensure that the robust controls we apply to our financial information are also embedded in our non-financial information, particularly regarding GHG emissions and energy efficiency data. This focus continues to increase given upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD) that will apply to some of Smiths subsidiaries from FY2026. We work closely with the Innovation, Sustainability & Excellence (ISE) Committee to maintain high standards in the quality of the data we report externally. Once again, we engaged KPMG to provide limited assurance on our FY2024 GHG emissions inventories and energy efficiency, in accordance with the International Standard on Assurance Engagement (ISAE).

Finally, an important Committee responsibility is monitoring the integrity of the Group's financial reporting and details of all our work can be found on pages 88 to 90. I would like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2025.

Richard Howes
Chair of the Audit & Risk Committee

Committee membership and meetings

All members of the Committee are independent Non-executive Directors and collectively have recent and relevant financial, accounting and sector experience. Committee member biographies and attendance at meetings during the year can be found on pages 73 to 75. The Board considers that all Committee members have recent and relevant financial experience as described by the Code.

At the invitation of the Chair of the Committee, and in order to maintain effective communications, the Chief Executive Officer, Chief Financial Officer and an audit partner of KPMG attended all meetings. Other regular attendees included the Group Financial Controller, the Director of Internal Audit and Risk, Senior Vice President and General Counsel, Ethics and Compliance and Deputy Company Secretary, business Presidents, the Vice President Finance Excellence and other members of senior management were also invited to attend as appropriate. At the conclusion of each meeting, KPMG and the Director of Internal Audit and Risk were each given the opportunity to discuss matters with the Committee without executive management being present.

The heads of Internal Audit and Ethics and Compliance, together with KPMG, have direct access to the Committee should they wish to raise any concerns outside formal Committee meetings.

The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management and internal control process. The Chair of the Committee reports formally to the Board on the Committee's activities after each meeting.

Committee performance review

Through the annual Board review process described on page 82, the Board has again confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties.

Committee activities

Financial and Narrative Reporting

The Committee reviewed the full and interim results announcements, the Annual Report and the Viability and Going Concern Statement before recommending them to the Board for approval.

The Group has internal control and risk management arrangements in place to support the financial reporting process which provide reasonable assurance that the financial statements are prepared in accordance with applicable standards. These arrangements included seeking confirmation from the businesses that the reported information gives a true and fair view of the results for the period and ensuring that record keeping allows an accurate and fair reflection of transactions and statements. More information on risk management and internal controls can be found on page 92 and 93.

An important responsibility of the Committee is to review and agree the most significant management accounting estimates and judgements which impact the financial statements. The key areas of judgement in the year are set out overleaf. After receiving reports on the significant estimates and areas of judgement and after discussion with KPMG, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual Report.

Fair, balanced and understandable

The Committee applied the same due diligence approach adopted in previous years in order to assess whether the Annual Report is fair, balanced and understandable, one of the key Code requirements. This included being updated on the internal verification process carried out to support the Committee's assessment of the disclosures made in the Annual Report and Sustainability Report. The Committee also reviewed various materials on risk management and internal controls, going concern and the assessment of the Group's long-term viability. In doing so it considered the:

- Accuracy, integrity and consistency of the messages conveyed in the Annual Report;
- Appropriateness of the level of detail in the narrative reporting;
- Correlation between judgements, estimation of uncertainties and issues, and the associated disclosures; and
- Explanations of the differences between statutory and headline reported results.

Taking the above into account, together with the views expressed by KPMG, the Committee recommended, and in turn the Board confirmed, that the FY2024 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

Significant financial reporting matters

The key areas of judgement for FY2024 are as follows:

Areas of focus	Actions taken
Impairment – intangible assets (including goodwill)	
The Group's consolidated balance sheet includes £1.5bn of intangible assets. The largest elements of this balance relate to goodwill (£1.2bn), acquired customer relationships (£0.1bn) and capitalised development costs (£0.1bn). Impairment testing of goodwill is the area that involves the greatest level of management judgement. Smiths Detection is the Group's only CGU where the impairment headroom is limited and there is a risk that a downside change in the key assumptions could potentially cause the current carrying value of the CGU to exceed its recoverable value.	Strong order books at Smiths Detection have driven historic levels of revenue growth in FY2023 and FY2024, following three challenging years. The FY2024 base case impairment model shows headroom of £254m a moderate improvement from the FY2023 headroom of £225m. The greater impairment headroom reflects an improved impairment model cash-flow forecast following strong organic revenue growth and contract wins experienced in FY2024, partially offset by an increase in the CGU discount rate. The Committee reviewed the Group's impairment testing results and challenged the assumptions used within the CGU's impairment testing model, including the downside scenarios used to assess the business's sensitivity to key assumption changes. The Committee noted the sensitivity of Smiths Detection's CGU impairment headroom to variations in the discount rate and reviewed the methodology for calculating the discount rate used in the impairment testing. See note 11 of the financial statements for more details.
Provisions for liabilities and charges	
The Group holds significant material provisions for John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST product claims.	The Committee considered the appropriateness of the provisions for the John Crane, Inc. asbestos litigation and the Titeflex Corporation CSST claims. They specifically considered the treatment of potential liabilities, the adjustments to assumptions used in calculating the provisions, the sensitivity to changes in these assumptions and the advice from the Group's specialist external advisers. The Committee agreed with the judgement regarding the John Crane, Inc. asbestos litigation and agreed that the ten-year period for John Crane, Inc. asbestos litigation remained appropriate. The Committee noted that despite the large numbers of claims filed against John Crane, Inc. and other defendants every year, the evolving nature of the US legal system, and other factors effecting the asbestos legal environment, make it difficult to reliably estimate costs beyond 10 years. In both cases, the assumptions were deemed to fairly reflect the position. See note 23 of the financial statements for more details.
Post-retirement benefits	
The Group has material pension plan assets and liabilities and there is a high degree of estimation uncertainty.	The Committee reviewed and agreed the methods, assumptions and benchmarks used by the actuaries to calculate the position of the UK and US schemes at 31 July 2024. The IAS 19 valuation of post-retirement benefit obligations at 31 July 2024 showed a net accounting surplus of £29m, being a £60m reduction during FY2024. The Committee noted that the movement in valuation during the year was mainly due to £66m of actuarial losses, principally arising from the defined benefit obligation experience losses after calibration to the latest 2023 triennial valuation data. The Committee agreed with the treatment and disclosures on these matters. See note 8 of the financial statements for more details.

Areas of focus	Actions taken
Taxation	
The Group has extensive international operations, and in the normal course of business the Directors make judgements and estimates in relation to potential tax exposures.	Management assessed the assets and liabilities recognised in income tax and deferred tax, along with the treatment of losses in the UK. Particular focus was given to the recognition of UK deferred tax assets as well as deferred tax assets relating to the John Crane, Inc. asbestos provision and the Titeflex Corporation CSST provision. The Committee received updates on the status of ongoing tax audits in the Group's larger markets and the uncertainties surrounding the outcome of these audits which are expected to conclude in the next 12 to 24 months. The Committee challenged management on the amount of provisions set aside for tax liabilities and highlighted that the final outcome could differ significantly from the current provisions for tax risks. See note 6 of the financial statements for more details.
VAT error on chain export transactions	
During FY2023 a historic VAT classification error was identified, which had resulted in certain European intercompany chain export transactions being treated as VAT exempt when they should have been initially classified as subject to VAT with subsequent refund at the time of export.	Throughout FY2024, the Committee monitored the Group's broader project to review the VAT classification of transactions and the progress made in recovering VAT paid on the European intercompany chain export transactions. The Committee noted that during FY2024, nearly all the outstanding VAT balances related to the historic error were recovered. The Committee challenged management on the adequacy of provisioning and noted that management remained confident that the remaining provisions are adequate to address the Group's overall liability.
Presentation of headline profits and organic growth	
The Group presents headline profits and organic growth measures which require adjustment to IFRS required data. This is a material judgement and requires a consistent application of the Group's accounting policy on this topic.	The Committee considered the policy, presentation and judgements relating to the Group's performance, particularly the separation between headline and non-headline items. This included determining which items related to the Group's ongoing trading activities and which should be considered as non-headline. The Committee challenged management on the value and nature of items being recognised as non-headline and reviewed the level of disclosure on the non-headline items recognised in FY2024. In addition, the Committee considered the judgements in connection with items that should be reflected or adjusted in organic performance. See note 3 of the financial statements for more details.

External audit

The Committee places great importance on the quality, effectiveness and independence of the external audit process. KPMG was appointed as the Company's external auditor at the 2019 AGM. Michael Maloney was Smiths first lead KPMG audit engagement partner until he retired following the FY2022 audit. Mike Barradell was appointed as lead engagement audit partner from the FY2023 audit. Mike Barradell's tenure will be limited to five years in line with audit standards and due to KPMG partner rotation policies. To comply with the Statutory Audit Services Order, which requires us to put our statutory audit services to tender at a minimum of every ten years, the Committee has agreed to conduct a tender for the external auditor to coincide with the change in audit partner in 2027. The ten-year limit would be to conduct a tender by 2029.

The Committee confirms that the Company has complied with the provisions of the Statutory Audit Services Order 2014 relating to the UK audit market for large companies throughout the year under review and as at the date of this report.

Scope of the external audit plan and fee proposal

The Committee reviewed and approved KPMG's proposed audit plan and fee for the FY2024 audit. The Committee continued to monitor KPMG's execution of the audit plan during the year.

Independence and objectivity

The Committee is responsible for the implementation and monitoring of the Group's policies on external audit, which are designed to maintain the objectivity and safeguard the independence of the external auditor. These policies are reviewed annually. They cover the engagement of the external auditor for non-audit services and the appointment by the Group of former employees of the external auditor.

In addition to monitoring compliance with Group policies, the Committee's review of KPMG's independence included examining written confirmation from KPMG that they remained independent and objective within the context of applicable professional standards and considering the performance of the audit engagement partner.

Non-audit services

Notwithstanding developing practice being adopted by audit firms not to provide non-audit services to audit clients, the Committee recognises that certain permissible non-audit services can be completed more efficiently by, and be purchased more cost-effectively from, the incumbent auditor due to the audit firm's existing knowledge of the Group and its systems. Under the policy approved by the Committee, it has delegated its responsibility for authorising the purchase of non-audit services from the external auditor to the Chair of the Committee and/or the Chief Financial Officer within specific limits.

Details of the fees paid to KPMG for the year ended 31 July 2024 can be found in note 2 of the financial statements. Non-audit fees as a percentage of audit fees totalled 8% (FY2023: 6%). Non-audit fees in FY2024 principally comprised audit-related assurance services for the interim results and the limited assurance of the Group's Scope 1-3 GHG emissions and energy efficiency metrics.

The Group would not expect in the ordinary course of business for non-audit fees to exceed 20% of the average of the previous three years' total Group audit fees unless exceptional circumstances existed. The Committee confirms that the non-audit work performed by KPMG during the year was properly assessed and authorised in accordance with the Group's policy.

Effectiveness of the external audit

The Committee continually assesses the effectiveness of the external auditor during the year, including its independence, objectivity, appropriate mindset and professional scepticism. The Committee considered:

- Robustness of audit processes, including the conclusion of the FY2023 audit process, the audit review of FY2024 interim results, early-stage delivery of the FY2024 audit, the review of audit plans and scope deliverables;
- Audit quality, including quality controls and the robustness and perceptiveness of KPMG in handling of key accounting and audit judgements;
- Audit partners and team, including skills, character and knowledge;
- Independence and objectivity;
- Formal and statutory reporting including the content, insight and value of KPMG's reports, management's responses to any audit findings and discussions with management and with the external auditor;
- Feedback from previous effectiveness reviews, both from the Committee and management, ensuring these had been adequately addressed;
- Whether KPMG devoted sufficient time and resources to understand and assess the business, its key risks, and controls.

In 2023, the FRC's Audit Quality Review team ('AQR') reviewed KPMG's audit of Smiths Group plc for FY2022. The FRC routinely monitors the quality of audit work at certain UK audit firms by inspecting sample audits and related procedures. The AQR identified areas for improvement related to the challenge of the goodwill impairment model forecast. The Committee and KPMG discussed the review findings and agreed on actions, which KPMG implemented during the FY2023 audit. At the November 2023 Audit & Risk Committee meeting, the Committee concluded that these findings had been appropriately addressed.

After considering the factors above and its general interaction with KPMG throughout the period, the Committee was satisfied that the external audit was effective. The Committee therefore agreed that it was appropriate to recommend to the Board that the reappointment of KPMG as the Company's auditor for a further year be proposed to shareholders at the 2024 AGM. A further review of the FY2024 audit will be conducted ahead of the FY2025 interim results.

Risk management and internal control

The Board is responsible for ensuring that sound risk management and internal control systems are in place. The Executive Committee is responsible for designing the risk management and internal control systems and ensuring they are effectively deployed throughout the Group. The risk management and internal control processes identify, assess, manage and monitor risks that have the potential to effect the achievement of our strategy. The Executive Committee and risk owners review our principal risks throughout the year. They assess the effectiveness of existing controls and the resulting residual risks and identify any additional necessary actions. We have sound risk management and internal control systems in place. However, they can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial statements. More detail can be found on pages 40 to 41.

Effectiveness of the Group's risk management and internal controls

In FY2024, the Committee, on behalf of the Board and with the assistance of the Internal Audit function, monitored, reviewed and assessed the effectiveness of the Group's risk management and internal control systems in the context of the Group's strategy, business model and risk appetite.

Throughout the year, the Committee receives risk deep-dive reports from the businesses and principal risk owners. These reports are presented on a rotational basis, allowing the Committee to cover all principal risks over time. The deep-dives help the Committee assess the effectiveness of risk management and internal control systems. This year, the businesses reviewed risks relevant to their operations, including major programme execution (commercial), product quality, margin accretion and inventory management, future market trends, and single-source raw materials. Updates were also provided on cyber security, legal and compliance risks as well as on Middle East risks and scenarios. The cyber security risk deep-dives covered the Group's cyber security framework, employee communication and training programmes to enhance cyber awareness, and planned investments to improve resilience.

The Committee also relies on other inputs to evaluate the effectiveness of the risk management and internal controls system and details of what was covered can be found on page 41.

Consideration of the business risk registers alongside the principal risk deep-dives and other thematic risk areas enables the Committee and full Board to understand the culture, risks and opportunities, and assurance processes throughout the business and the potential impact on the Group. No significant failings or weaknesses were identified.

The Committee received updates on the Internal Controls Enhancement (ICE) programme which focuses on projects aimed at improving and standardising finance activities across the Group, as well as ongoing efforts to enhance the financial control framework. This year's activities continue to position Smiths strongly for the upcoming Code changes related to internal controls over financial reporting.

Principal risks update

The Committee carried out a robust assessment of the Group's emerging and principal risks, including those that would threaten its business model, future performance, solvency and liquidity. We removed organic growth as a standalone principal risk and this is now embedded within our commercial and technology risks. We also reordered our risks based on the residual impact and likelihood of the risk occurring. Cyber security and economy and geopolitics risks remain elevated. The cyber threat landscape is constantly changing as new threats emerge and existing threats evolve and we continue to monitor geopolitical risk due to increasing international tensions and the rise of nationalism and populism. Other risks remain relatively stable.

A description of the principal risks facing the Group and how these were reviewed to assess the Group's viability can be found on pages 42 to 48.

Internal Audit

Internal Audit is independent of the business and so has no responsibility for operational business management. This ensures the integrity and objectivity of its annual Audit Plan, which is approved by the Committee. The authority of the Internal Audit function is derived from the Committee. The Director of Internal Audit and Risk is accountable to the Board through the Committee Chair, although administratively he reports to the Chief Financial Officer.

In order to carry out the responsibilities, as set out in a charter approved by the Committee, the Internal Audit function has:

- full and unrestricted access to all records, property and personnel;
- independent access to the Committee Chair and members of the Committee;
- the right to request meetings with the Committee; and
- the authority and obligation to report significant findings or other concerns to the Committee.

During the period, the Committee received progress reports on the execution of the FY2024 Internal Audit Plan and discussed any high-priority control enhancement opportunities and action plans to address these. The Committee also approved the FY2025 Internal Audit Plan, including the proposed audit scope, approach, coverage and budget including the allocation of resources.

The Committee monitors the performance of the Internal Audit function through the Director of Internal Audit and Risk's participation in Committee meetings, reviewing work presented throughout the year, and assessing agreed KPIs reported at each meeting. This year, the Committee conducted an Internal Audit effectiveness review led by the Deputy Company Secretary. The review concluded that Internal Audit's performance remains strong. Identified enhancement opportunities involve further alignment with strategy and a greater focus on higher risk areas, which will be addressed in the Internal Audit FY2025 Plan.

Ethics and compliance

During the year, the Committee reviewed the Ethics and Compliance annual work programme and provided oversight of investigations into allegations of non-compliance with the Code of Business Ethics. This included matters raised through the Group's ethics reporting procedures including the Group's Speak Out hotline which allows for anonymous reporting. Smiths Speak Out hotline comprises a number of different channels (including call centres operated by an independent third party across the Group's global operations) for employees and other stakeholders to report concerns. The Committee was also updated on our legal and compliance principal risk, focusing on the role of agents and distributors ('intermediaries'), the risks they pose, and the controls in place to mitigate these risks. It also examined fraud risks in light of the UK Economic Crime and Corporate Transparency Bill and reviewed Smiths Modern Slavery and Human Trafficking Statement.

During the year there were no matters raised that required the Committee's direct intervention or investigations which resulted in a material loss to the Group or a detrimental impact on our customers or suppliers. The Committee receives regular reports on the total number and nature of cases by region, the ratio of anonymous vs attributed ethics reports, and the ratio of substantiated vs unsubstantiated cases. The anonymous vs attributed metric is used to monitor trust in the Group's reporting system. Accordingly, the Committee considered that the Group's processes and arrangements for employees to report concerns, including anonymously and without retaliation, about any improprieties and the arrangements for any subsequent investigation as necessary, were both appropriate and effective.

More information on the Group's approach to behaving ethically and legally can be found on page 37 and in the Sustainability at Smiths report found on our website.

Assessment of internal control and risk management arrangements

The Committee was satisfied that the Group's processes governing financial reporting and controls, its culture, ethical standards and its relationships with stakeholders continued to be effective.

The Committee was also satisfied with the appropriateness and adequacy of the Group's risk management arrangements, internal control framework and three lines of defence model.

Innovation, Sustainability & Excellence Committee report

Dame Ann Dowling
Chair of the Innovation, Sustainability & Excellence Committee

Committee membership

- Dame Ann Dowling
- Pam Cheng
- Karin Hoeing
- Noel Tata

Top committee activities this year

- Received updates from each of the businesses on new product development and innovation
- Continued to monitor the implementation of the Smiths Excellence System (SES)
- Recommended environmental performance targets for FY2025 to the Remuneration & People Committee

Chair's statement

I am pleased to present the progress we have made on Innovation, Sustainability and Excellence (ISE) over the past year. These are all critical elements for the successful execution of our strategy.

In December 2023, we were delighted that the Science Based Targets initiative (SBTi) validated our net zero GHG emission targets. We submitted our proposed Science-Based Targets (SBTs) and related plans for Scopes 1, 2 and 3 emissions to the SBTi in May 2023, and this validation marked a key milestone for our net zero transition plan. Our targets are aligned with the UN's critical global climate objectives and the Paris Agreement's ambition to limit global warming to 1.5°C. More details of our net zero transition plan can be found on page 35.

To ensure the business continues to prioritise sustainability and the cultural change required to achieve our net zero transition plan, we recommended further environmental performance targets for FY2025 to the Remuneration & People Committee.

In March we were updated on the work of the Smiths Foundation, which awarded its first grants totalling £1m to 12 charities across nine countries in its first nomination window. These grants support various community initiatives from providing STEM support to students, to implementing smarter engineering solutions for safe water sanitation. We were pleased to learn that over 5,000 individuals will directly benefit from the grants.

During the year, we reviewed the Committee's remit, and adopted new Terms of Reference. The new Terms have bought greater clarity to the Committee's responsibilities and its interactions with the other Board Committees. The Board also approved the change of Committee name, replacing 'Science' with 'Innovation' to better reflect our remit and activities.

At each of our four Committee meetings, one of the businesses shared updates on their innovation strategy. What continues to excite me is how innovation is helping us and our customers achieve our ESG commitments, and advance our sustainability journey. This remains a significant commercial opportunity for Smiths. Each business also provided a deep-dive on how SES is being embedded, highlighting culture change across the Group, although there is still more work to do here. Operational excellence is crucial for the long-term success of Smiths, and these deep-dives provide valuable insight into key initiatives happening across the businesses.

I would like to thank colleagues across Smiths who are driving innovation, sustainability and continuous improvement. I would also like to thank my colleagues on the Committee for their contributions during the year and I look forward to continuing our work in FY2025.

Dame Ann Dowling
Chair of the Innovation, Sustainability & Excellence Committee

Committee membership and meetings

The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The Chief Executive Officer and the Head of Smiths Excellence & Sustainability, and prior to her appointment the Chief Sustainability Officer and Group SES Director, attended every meeting. Other members of senior management are invited to attend as necessary. The Deputy Company Secretary acts as secretary to the Committee.

Committee performance review

Through the annual Board review process, described on page 82, the Board confirmed the effectiveness of the Committee in its role supporting the Board in compliance with its remit.

Committee activities

The main topics considered at Committee meetings were:

Innovation

Each of the businesses updated the Committee on their innovation strategy. This included progress against their FY2024 initiatives, new product development, processes and pipelines, plans for FY2025, opportunities for improvement, and sustainability across the product lifecycle. We also learnt about emerging megatrends, and the work being done to understand the market opportunities they create. This information supported Committee discussions on how innovation, technology, sustainability and understanding customer needs and aspirations, are influencing our next generation of products.

Sustainability

The Committee continued to monitor progress against Smiths sustainability metrics including GHG emissions reduction, renewable electricity, energy efficiency, water use and waste disposal as well as monitoring how the business is driving environmental change in their operations. We received updates on global initiatives and regulations, including the Taskforce on Nature-related Financial Disclosures (TNFD), Corporate Sustainability Reporting Directive (CSRD), Taskforce on Climate-related Financial Disclosures (TCFD) and the EU Taxonomy. We were pleased to endorse Smiths commitment to proactively understand and address the biodiversity-related impact of our products, our operations and our supply chains and we look forward to an update in FY2025. More information can be found in our Sustainability at Smiths Report on our website.

Excellence

The Committee heard about the progress to broaden and deepen SES and Lean deployment across the business in FY2024, receiving regular updates about the financial benefits of SES. Each business provided updates on their own SES progress, key projects and priorities for FY2025. Subject matter experts were invited to present on successful SES projects completed during the year. The Committee also received updates on talent development, as the first cohort of Master Black Belt trained employees re-entered the business during the year.

Remuneration & People Committee report

Karin Hoeing
Chair of the Remuneration & People Committee

Committee membership

Pam Cheng
Dame Ann Dowling
Steve Williams

Top Committee activities this year

- Reviewed the Remuneration Policy, including engagement with key shareholders, and made recommendations for 2024 onwards
- Approved FY2025 salary increases for the Board & Executive Committee aligned to the wider workforce
- Approved the exit terms for Paul Keel

Chair's statement

I am delighted to present the Remuneration Report for the year to 31 July 2024, my first since taking up the position of Chair of the Remuneration and People Committee in May 2024. I would like to thank Bill Seeger for his leadership as Chair of the Committee for the previous five years.

In line with the normal three-year cadence, we have reviewed our Remuneration Policy during FY2024 and it is being put to a binding shareholder vote at the AGM on 13 November 2024. I look forward to your support at that meeting.

People strategy
A key role of the Committee is to provide oversight of the implementation of the Group's People strategy. As such, at each meeting, the Committee reviews elements of the strategy to ensure it supports the Group's strategic objectives and the desired culture. This included evolving Smiths' culture with particular focus on performance, talent and succession processes. The 'internal first' appointment and development strategy was successfully implemented creating a strong talent pipeline while also supporting a positive, rewarding, and engaging culture. The Committee discussed the results of the My Say annual employee engagement survey, which showed employee satisfaction above the industry benchmark. For more information see page 13.

In addition, the Committee also considered the Group initiatives supporting progress against diversity targets and an extensive programme of work that sought to align certain employee benefit arrangements across the Group.

Business context and leadership changes in FY2024

It is nearly three years since Smiths set out its growth strategy in 2021, and the recent results demonstrate that we continue to make solid progress, having delivered three consecutive years of organic revenue growth. With a record order book and continued strength in end markets such as energy, security and aerospace – and improving conditions in industrial segments experiencing more recent challenges – we are confident in our outlook for continued growth and margin expansion.

In March 2024, we announced that Paul Keel had resigned from his role as CEO to return to the US, to take on a new role as chief executive of a US public company. He was succeeded by Roland Carter who has been with Smiths for more than three decades and previously served as President of Smiths Detection. The appointment demonstrates the robust succession planning process that we have in place.

At this critical point in our strategy, the Board's priority is retaining and incentivising our diverse, global executive team, as we continue the growth journey. Our executive talent is sourced from a range of industrial, scientific and technology backgrounds across the world, reflecting our global footprint. Over 50% of Smiths Group's revenue is sourced from the Americas, with the remainder split across Asia Pacific, Europe and the rest of the world.

Key decisions during FY2024

CEO – Roland Carter

As disclosed in March, Roland was appointed on a salary of £940,000, slightly below that of his predecessor Paul Keel. His other package elements were set in line with the existing Remuneration Policy, including a pension cash allowance of 12% in line with the UK workforce; maximum Annual Incentive Plan (AIP) opportunity of 200% of salary (with one third of any earned bonus deferred into shares for three years); and an LTIP award with an annual grant of a fixed number of shares. An additional LTIP award of 40,900 shares was granted in April 2024, to reflect promotion to the CEO role pro-rated for time in the year.

CFO – Clare Scherrer

Clare has proven to be an outstanding member of the Board and therefore a priority of the Board is to retain Clare, ensuring leadership continuity at this pivotal time. To recognise the extensive range of her role including an expansion of M&A activity, her exceptional performance to date and industry experience we determined to provide enhanced retention and incentive arrangements at a time of executive change. Clare's base salary was increased by 12% with effect from 1 April 2024, from £581,438 to £651,110. Her maximum AIP opportunity was also increased from 165% to 200% of salary, and she was granted an additional LTIP award of 10,961 shares in April 2024, reflecting the above changes. All adjustments were made in line within the parameters of the existing approved Directors' Remuneration Policy.

As part of the review, the Committee considered Clare's package against globally focused FTSE peers of a similar market capitalisation (FTSE 40-90), to ensure it was competitively positioned within the benchmark range in the context of her role, skills and experience.

AIP and LTIP outturns for FY2024

The Committee considered outcomes under the FY2024 AIP and the FY2022 LTIP awards in the context of strong organic revenue growth, continued operating profit margin expansion and improved headline operating cash conversion. It was considered appropriate to award a bonus of 60.5% of maximum opportunity for FY2024, representing an achievement between target and maximum against the financial and non-financial metrics. One third of the bonus earned will be deferred into shares for the Executive Directors.

The FY2022 LTIP award vested at 76.7% of maximum, reflecting performance over a three-year period aligned to the sustainable growth of the business during that time. The Committee did not exercise any discretion in respect of the outcomes.

Remuneration Policy

Over the past year, the Committee has undertaken a comprehensive review of the existing remuneration framework to ensure it supports the retention and incentivisation of our global executive team and continues to drive an ambitious growth strategy. Smiths takes a responsible approach to pay and has demonstrated a robust pay for performance framework.

While benchmarking was not a driver of our decision, the Committee considered market positioning against our primary comparator group of globally focused FTSE peers with a similar market capitalisation (FTSE 40-90), to ensure the package is competitive and supports the attraction and retention of global talent. After consultation with major shareholders, and careful consideration, the Committee has concluded that the existing AIP and LTIP framework remains fit for purpose. The 'fixed shares' methodology that has been in place for the previous two iterations of our Remuneration Policy is working well for Smiths. Granting a fixed number of shares creates strong and direct alignment between executives and our shareholders. As such, we are proposing a few relatively modest adjustments to support talent retention and attraction over the life of the Policy, briefly set out below and provided in detail later in the main Remuneration Report.

Increased AIP headroom

We are proposing to increase the headroom for the maximum AIP opportunity from 200% of salary to 250% of salary, to ensure the Policy has flexibility to support the attraction and retention of current and future Executive Directors over the life of the three-year Policy and drives incentivised performance and growth through the successful execution of our strategy.

For FY2025, the CEO and CFO and will be eligible for a maximum AIP opportunity of 230% and 200% of salary respectively. In the event of using additional headroom in the Policy, we would consult with shareholders.

Retention of LTIP 'fixed shares' approach

Our current approach is to grant LTIP awards based on a fixed number of shares, which applies to all LTIP participants across the Smiths Group. This has delivered strong alignment with the shareholder experience over the last six years, with the value of awards increasing and decreasing in line with Smiths Group's share price. We proposed to continue to operate this framework over the life of the Policy.

Under the current Policy, an overall cap of 400% of salary applies. This was intended to restrict the value of fixed shares if the share price increased by more than 33% over the relevant period. We intend to adjust this cap to 500% of salary to allow additional headroom thereby incentivising further share price growth and value creation. For clarity, this new cap would only be reached if Smiths Group's share price increased to £24.75 – a c.41% increase compared to the share price at the start of the performance period.

The CEO will receive an annual grant of 190,000 shares, reflecting a modest rounding from 189,900 under the previous Remuneration Policy (current value of c.344% of salary based on a three-month average share price). The CFO will receive an annual grant of 110,000 shares. This has been set to reflect Clare's salary and expanded role (current value of c.288% of salary based on a three-month average share price).

The base salaries of the Executive Directors have been increased by 3.0% effective from 1 October 2024. This is aligned with the salary increase budget across all employees in the wider UK workforce. Roland and Clare's new annual salaries will be £968,200 and £670,650 respectively.

Implementation for FY2025

There are some minor changes to the short-term incentive plan metrics, weightings and ranges for FY2025 awards. The AIP weighting for revenue will be reduced from 40% to 30% and replaced with a strategic business objective linked to customer service. There are no changes to the Long-Term Incentive Plan for FY2025. The metrics in both the short-term and long-term incentive plans are clearly aligned to the delivery of our strategy.

Committee meetings and performance evaluation

I had served on the Remuneration & People Committee for at least 12 months prior to my appointment as Chair. Steve Williams is absent when his own remuneration as Chairman of the Board is discussed. The members of the Committee, their biographies and attendance at meetings during the year can be found on pages 73 to 75. The annual evaluation of the Committee was conducted as part of the internally facilitated process of the Board and its Committees and the findings were discussed with me. The Committee is viewed as effective and rigorous in discharging its responsibilities.

Looking forward

I hope you find this report a clear explanation of the Committee's considerations, decisions and remuneration outcomes for FY2024. The proposed changes to our Remuneration Policy are designed to ensure our remuneration offering is competitive and aligned to the market. I would like to thank the numerous shareholders, institutional investors and other stakeholders who have helped inform and improve our Remuneration Policy proposals. I trust that we will have your support when voting at the 2024 AGM.

Karin Hoeing
Chair of the Remuneration & People Committee

Implementation of Remuneration Policy in FY2024

Base salary

Roland Carter received:
£319,833

Clare Scherrer received:
£600,011

Pension and benefits

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

Annual Incentive Plan (AIP)

Total bonus payout (% of maximum):

Roland Carter:
60.5%

Clare Scherrer:
60.5%

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Revenue (40%)	£2,922m	£3,085m	£3,230m	53.0%
Operating Profit (30%)	£479m	£514m	£560m	47.5%
Headline operating cash conversion (20%)				
H1 (10%)	75%	89%	95%	68.5%
FY (10%)	80%	97%	100%	83.0%
Energy efficiency (10%)	-3.7%	-5.9%[1]	-5.2%	100%

1. Excludes HCP

Long-Term Incentive Plan (LTIP)

Total vesting (% of maximum):

Roland Carter:
76.7%

Clare Scherrer:
N/A

Performance measure	Threshold (25% payout)	Outturn	Maximum (full payout)	Achievement (% of max)
Organic revenue growth (30%)	2.0%	7.5%	6.0%	100%
EPS growth after tax (20%)	4.0%	15.9%	11.0%	100%
Free cash-flow (20%)	45%	41%	55%	0%
Average ROCE (15%)	13.0%	15.8%	17.0%	78%
Reduction in GHG emissions (15%)	5.0%	16.4%	10.0%	100%

Single figure (£000)

	Roland Carter	Clare Scherrer
Salary	320	600
Pension and benefits	50	104
Annual bonus	400	649
Long term incentives	886	–

Statement of implementation of Remuneration Policy in FY2025

Base salary

Roland Carter:
£968,200
(3% increase)

Clare Scherrer:
£670,650
(3% increase)

UK wider workforce increase of 3%.

Pension / Benefits

Roland Carter:
12%
of base salary

Benefits package consisting of healthcare, insurance and car benefit.

Clare Scherrer:
12%
of base salary

Benefits package consisting of healthcare, insurances, car benefit and tax return preparation.

Annual bonus (maximum opportunity)

Roland Carter:
230%
of base salary

Clare Scherrer:
200%
of base salary

Performance measure	Weighting
Revenue	30%
Operating profit	30%
Headline operating cash conversion	20%
Energy reduction target	10%
Strategic business measure	10%

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

Long-term incentive (LTIP)

Roland Carter:
190,000
shares

Clare Scherrer:
110,000
shares

Performance measure	Weighting	Threshold (25% vesting)	Maximum (full vesting)
Revenue growth	30%	3.5%	6.5%
EPS growth after tax	20%	6.0%	11.0%
Average free cash-flow	20%	45.0%	55.0%
Average ROCE	15%	14.0%	17.0%
Absolute reduction in GHG	15%	15.0%	20.0%

- Two-year post-vesting holding period applies

Performance measures and link to strategy

Element		Outcome	AIP	LTIP
Growth	Secularly attractive end markets	Revenue/revenue growth	✓	✓
	Leading businesses	Operating profit	✓	
	Customer relationships	EPS growth		✓
People	Purpose and Values High performance culture	Scorecard of strategic measures key to Group and Divisional performance	✓	
Execution	Invest behind growth	ROCE		✓
	Operational excellence	Headline operating cash conversion	✓	
		Free cash-flow		✓
		Energy reduction	✓	
		Reduction in GHG emissions		✓

Shareholding requirements

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

Alignment with the UK Corporate Governance Code

The table below details how the Committee addresses the factors set out within Provision 40 of the Code:

Clarity	– The Committee welcomes transparency and regular engagement with shareholders with regard to executive remuneration. During FY2024, the Committee Chair has consulted with key shareholders on changes to the Remuneration Policy. The updated Remuneration Policy will be put to a shareholder vote at the 2024 AGM
Simplicity	– Participants in incentive plans receive annual communications to confirm award levels and performance measures. Supporting guidance documents and instructional videos are available online. The Remuneration Policy for Executive Directors underpins that of the wider workforce
Risk	– The Committee considers the effective management of risk throughout the delivery of incentive plans, applying reasonable discretion to override formulaic outcomes if necessary – The Committee considers that the structure of incentive arrangements does not encourage unnecessary risk taking – For Executive Directors, one third of the annual bonus payment is deferred into shares with an additional three years until vesting – Robust malus and clawback provisions are in place for incentive plans and are clearly communicated
Predictability	– Our Remuneration Policy clearly outlines the maximum award levels and vesting outcomes applicable to AIP and LTIP. As stated above under 'Risk', the Committee has the ability to apply discretion to formulaic outcomes and clear malus and clawback provisions exist
Proportionality	– There is a link between strategic business objectives and performance outcome, as outlined on page 99 – Our Policy for our incentive plans outlines threshold, target and maximum opportunity levels, with actual outcomes dependent on performance achieved against predetermined measures – Through the design of the Remuneration Policy and the discretion of the Committee, poor performance is not rewarded
Alignment to culture	– The Smiths Group Values of passion, integrity, respect, ownership and customer focus underpin the design and operation of the incentive programmes. The business strategy is supported by these Values which are widely communicated across the Company. The addition of the Smiths Leadership Behaviours, of which 'Living Smiths Values' is one, describe the behaviours needed for the organisation to be dynamic, inclusive and focused on delivering results that create value

Consideration of wider workforce

The Committee considers all stakeholder groups when setting executive pay, including our people. The Committee is briefed on pay arrangements across the business and receives reports on people priorities within each of the divisions. In addition, a summary of remuneration-related issues raised by employees through the employee engagement survey is presented to the Committee. As part of a comprehensive schedule of Non-executive Director engagement with the workforce, in 2024 members of the Board, including the Committee Chair, attended events at each of our businesses to discuss and understand our culture, people priorities, employee remuneration and benefit arrangements across the Group. An extensive programme of employee benefit alignment has been underway across the Group, enhancing benefits whilst at the same time optimising costs. Details of the Non-executive Director engagement programme are summarised on page 78. The overall responsibility for workforce engagement rests with the Chair of the Committee.

Single figure of annual remuneration (audited)

Executive Directors

	Salary		Benefits		Payments in lieu of pension contribution		Total fixed		Annual bonus		Long-term incentives		Total performance related		Total	
	FY2024 £000	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000
Roland Carter	**320**	–	**13**	–	**37**	–	**370**	–	**400**	–	**886**	–	**1,286**	–	**1,656**	–
Clare Scherrer	**600**	554	**32**	31	**72**	66	**704**	651	**649**	640	**–**	–	**649**	640	**1,353**	1,291
Paul Keel	**620**	893	**119**	270	**75**	107	**814**	1,270	**–**	1,251	**–**	1,760	**–**	3,011	**814**	4,281

Salary

Roland Carter was appointed to the Board as Chief Executive Officer on 26 March 2024 with an annual base salary of £940,000. The values in the single figure table above in respect of FY2024 reflect the remuneration paid from 26 March 2024.

Benefits

Benefits for Executive Directors include life assurance, disability insurance, private healthcare insurance, car related benefits, tax return preparation and relocation benefits (Paul Keel only). In FY2023 a benefit value of £274,000 was reported for Paul Keel. This included estimated UK and US taxes settled by the Company on a grossed up basis totalling £116,197. The actual figure was UK tax of £108,652 and US tax of $3,765 and the total amount for FY2023 has therefore been restated to £270,000. This is in accordance with his service contract which provides housing, car and relocation payments on a net of tax basis. The benefit figure for FY2024 includes an estimated UK tax payment of £48,278 calculated on the same basis.

Pension

Executives may choose either to participate in the Company's defined contribution pension plan or to receive a pension allowance in lieu thereof. Roland Carter, Clare Scherrer and Paul Keel received an allowance in lieu of pension contribution equivalent to 12% of salary. This is aligned to the rate available to the wider UK workforce.

FY2024 annual bonus outcome

The maximum annual bonus opportunity for FY2024 was 200% of salary for Roland Carter and Paul Keel. Roland Carter also received an annual bonus payment in respect of his Smiths Detection service, prior to becoming CEO, of £358,395. The maximum annual bonus opportunity for Clare Scherrer was 165% of salary for the period 1 August 2023 to 31 March 2024 and 200% for the period from 1 April 2024 to 31 July 2024. The rationale for this change is provided in the Chair's opening statement. For FY2024 financial metrics made up 90% of the annual bonus, with the final 10% based on performance against energy efficiency objectives. The table below summarises the financial targets and the Company's actual performance (restated at budget exchange rates) against those for the FY2024 annual bonus.

	Performance targets, actual performance and outturn					
Measure	Weighting	Threshold 25% payout	Target 50% payout	Maximum 100% payout	Actual	Outturn
Revenue	40%	£2922m	£3076m	£3230m	£3080m	21.2%
Operating profit	30%	£479m	£519m	£560m	£514m	14.2%
Headline operating cash conversion						
H1	10%	75%	85%	95%	89%	6.8%
FY	10%	80%	90%	100%	97%	8.3%
Total financial	**90%**					**50.5%**
Energy efficiency	10%	-3.7%	-4.5%	-5.2%	-5.9%	10.0%
Total	**100%**					**60.5%**

Overall FY2024 annual bonus outturn

The following table sets out the overall FY2024 bonus outturn for Executive Directors:

	Maximum opportunity	Outturn (percentage of maximum)
Roland Carter	200%	60.5%
Clare Scherrer	165%/200%	60.5%
Paul Keel	200%	0.0%

The Committee considered the amounts carefully in the context of the Group's performance, individual performance and the current macroeconomic environment, and determined that the amounts were a fair reflection of performance in the past financial year. One third of the annual bonus will be deferred into Smiths shares for three years.

FY2022 long-term incentive plan outcome

Roland Carter received an award under the FY2022 LTIP, subject to the following performance conditions:

Measure	Weighting	Performance period	Threshold 25%	Maximum 100%	Actual	Outturn (% of vesting)
Average organic revenue growth	30%	1 August 2021 to 31 July 2024	2%	6%	7.5%	30.0%
Average annual Group EPS growth after tax	20%	1 August 2021 to 31 July 2024	4%	11%	15.9%	20.0%
Average ROCE	15%	1 August 2021 to 31 July 2024	13%	17%	15.8%	11.7%
Free cash-flow	20%	1 August 2021 to 31 July 2024	45%	55%	41.0%	0.0%
Reduction in GHG emissions	15%	1 August 2021 to 31 July 2024	5%	10%	16.4%	15.0%
Total vesting						**76.7%**

The Group EPS growth after-tax performance has been calculated to exclude the impact of the share buy-back scheme in order to ensure the targets were not materially easier to achieve than when originally set.

No discretion was exercised by the Remuneration & People Committee in respect of the formulaic outcomes under the LTIP. The value included in the single figure table has been calculated using an estimated share price, based on the share price over the last quarter of the financial year of £17.18. The share price appreciation attributable to the FY2022 LTIP for Roland Carter was 24.29% (£173,055). An additional holding period of two years will apply to the shares vesting.

No awards were due to vest to Clare Scherrer under this award. Paul Keel forfeited all unvested LTIP awards when he resigned on 25 March 2024.

Scheme interests awarded in FY2024 (audited)

Scheme interests awarded are outlined below.

	Scheme	Form of award	Date of grant	Number of shares awarded	Award price	Face value (£000)	% vesting at threshold performance	Performance period end date
Roland Carter	LTIP	Conditional shares	1 November 2023	67,200	1,582p	1,063	25%	31 July 2026
Roland Carter	LTIP	Conditional shares	8 April 2024	40,900	1,626p	665	25%	31 July 2026
Clare Scherrer	LTIP	Conditional shares	1 November 2023	91,342	1,582p	1,445	25%	31 July 2026
Clare Scherrer	LTIP	Conditional shares	8 April 2024	10,961	1,626p	178	25%	31 July 2026
Clare Scherrer	Deferred bonus	Conditional shares	3 October 2023	13,303	1,603p	213	N/A	N/A
Paul Keel	LTIP	Conditional shares	1 November 2023	189,900	1,582p	3,004	25%	Lapsed
Paul Keel	Deferred bonus	Conditional shares	3 October 2023	26,010	1,603p	417	N/A	N/A

The performance measures for the FY2024 LTIP award are as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum
Revenue growth (3-year CAGR)	30%	3.5%	6.5%
EPS growth after tax (3-year CAGR)	20%	6.0%	11.0%
ROCE (average annual)	15%	14.0%	17.0%
Free cash-flow (average annual)	20%	45.0%	55.0%
Absolute reduction in GHG emissions	15%	15.0%	20.0%
Total	**100%**		

Payments to past Directors (audited)

John Shipsey's share awards under the Company's LTIP are preserved in accordance with the good leaver provisions of the LTIP, subject to a time pro-rating adjustment and normal vesting dates. Mr Shipsey's FY2022 LTIP will vest in 2024, pro-rated for service to 31 July 2022. A total of 33,383 shares will vest at 76.7%, which is equivalent to 25,604 shares with an estimated value of £439,877.

Payments for loss of office

There were no payments for loss of office in FY2024.

Directors' share options and long-term share plans (audited)

Director and Plan	**Options and awards held on 31 July 2024**	Options and awards held on 31 July 2023	Exercise price	Grant date	Vesting date+	Expiry date++	Date vested	Number	Exercise price	Market price at date of grant	Market price at date of vesting
Roland Carter											
LTIP	67,200	67,200	N/A	05/11/21	01/10/24						
	67,200	67,200	N/A	02/11/22	15/10/25						
	67,200	0	N/A	01/11/23	15/10/26						
	40,900	0	N/A	08/04/24	15/10/26						
SAYE	773	773	1,163p	17/05/22	01/08/25	01/02/26					
	725	0	1,278p	16/05/24	01/08/27	01/02/28					
Clare Scherrer											
LTIP	91,342	91,342	N/A	02/11/22	15/10/25						
	91,342	0	N/A	01/11/23	15/10/26						
	10,961	0	N/A	08/04/24	15/10/26						
Deferred bonus award	2,009	2,009	N/A	03/10/22	03/10/25						
	13,303	0	N/A	03/10/23	03/10/26						
SAYE	1,346	1,346	1,337p	16/05/23	01/08/26	01/02/27					
Paul Keel											
LTIP	0	189,900	N/A	05/11/21	Lapsed						
	0	189,900	N/A	02/11/22	Lapsed						
Deferred bonus award	5,378	5,378	N/A	05/11/21	04/11/24						
	14,941	14,941	N/A	03/10/22	03/10/25						
	26,010	0	N/A	03/10/23	03/10/26						
SAYE	0	1,547	1,163p	17/05/22	Lapsed						

Notes

- The high and low market prices of the ordinary shares during the period 1 August 2023 to 31 July 2024 were 1,786p and 1,526p respectively. The mid-market closing price on 31 July 2023 was 1,699p and on 31 July 2024 was 1,786p.
- The five-day average closing price of a Smiths Group share on the dates of the LTIP awards made to Directors in the FY2024 financial year was 1,582p (1 November 2023) and 1,626.5p (8 April 2024).
- The SAYE options over 1,346 shares granted to and held by Clare Scherrer at 31 July 2024 were granted at an exercise price below the market price of a Smiths Group share on 16 May 2023 (1,337p). Shares are granted in May but the savings period commences in August.
- None of the options or awards listed above was subject to any payment on grant.
- No options or awards have been granted to or exercised by Directors or have lapsed during the period 1 August to 12 September 2024.
- At 31 July 2024, the trustee of the Employee Benefit Trust held 1,388,730 shares. The market value of the shares held by the trustee on 31 July 2024 was £24,802,718 and all dividends were waived in the year in respect of the shares held by the trustee.
- Special provisions permit early exercise of options and vesting of awards in the event of retirement, redundancy or death.

Key

LTIP The Smiths Group Long-Term Incentive Plan 2015.

SAYE The Smiths Group Sharesave Scheme.

\+ The vesting dates shown above in respect of awards made under the LTIP are subject to the relevant performance test(s) being passed.

++ The expiry dates shown above apply in normal circumstances.

Performance tests

- LTIP awards have the following performance tests – 20% subject to EPS growth; 15% subject to ROCE; 20% subject to free cash-flow; 30% subject to revenue growth; 15% subject to reduction in greenhouse gas emissions.
- There are no performance criteria for the Deferred Bonus Share awards or SAYE.

Share ownership requirement for Executive Directors

Executive Directors are required to build a minimum shareholding equivalent to the annual fixed number of shares awarded under the LTIP within five years. Executive Directors are required to retain at least 50% of any net vested share awards (after sales to meet tax liabilities) until those guidelines are achieved. Shares under deferred bonus awards and LTIP awards which have vested but are subject to a further holding period (net of assumed income tax) count towards the requirement. Awards that are still subject to performance conditions do not count towards the requirement.

Executive Directors will be required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment, in line with best practice guidance. To help enforce this requirement, a hold is put on vested shares held in broker accounts with Smiths Group's share plan administrator. This policy applied to John Shipsey, who stepped down from the Group during FY2022, and applies to Paul Keel who resigned from the Group during FY2024. Mr Shipsey was required to hold 54,959 shares in the Company until at least 31 July 2024. Mr Keel is required to hold 92,660 shares in the Company until 31 March 2026.

Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period. As at 31 July 2024 the headroom available under these limits was 8.2% and 3.84% respectively.

Executive Directors' shareholdings (audited)

The table below shows the shareholding for each Executive Director against their respective shareholding requirement as at 31 July 2024.

Director	Shareholding requirement	Shares owned outright	Shares subject to performance	Vested shares in holding period	Shares arising from bonus deferral	Save As You Earn (SAYE)	Current shareholding (% of requirement)[1]	Shareholding requirement met
Roland Carter	190,000	120,041	242,500	28,173	0	1,498	78%	N
Clare Scherrer	110,000	25,000	193,645	0	15,312	1,346	30%	N

There have been no changes to the Executive Directors' shareholdings between 1 August 2024 and 12 September 2024.

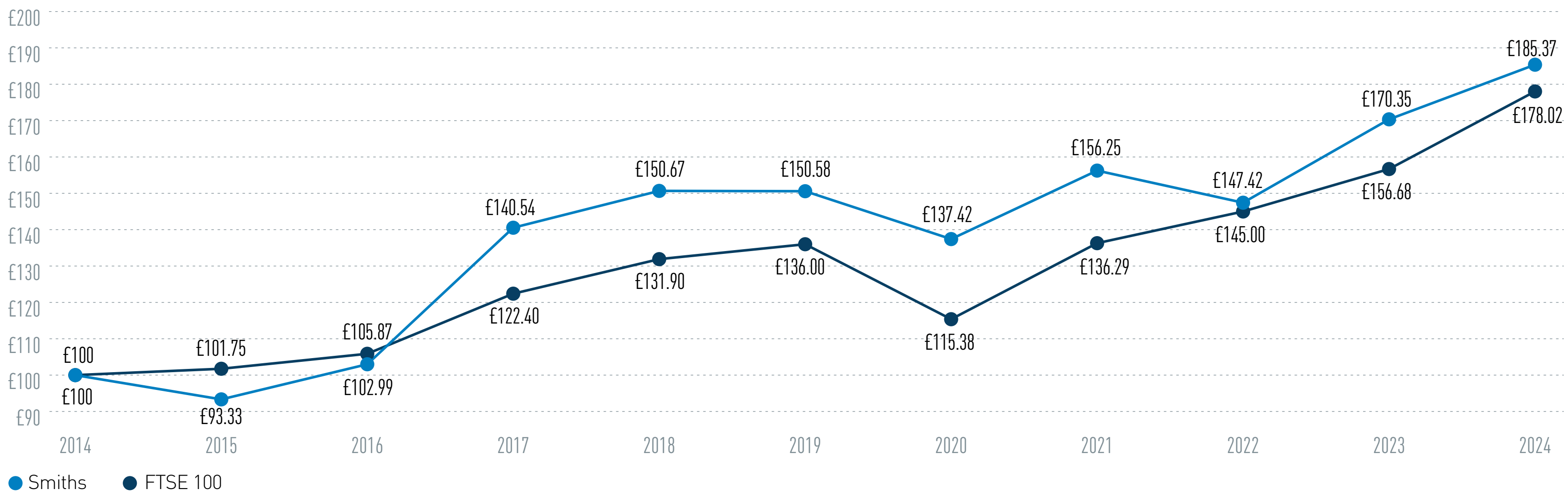
Footnotes

1 Shares owned outright (including vested shares in holding period), and the net of income tax value of shares arising from bonus deferral, are taken into account for the shareholding requirement. Executive Directors have five years from the date of appointment to meet the required personal shareholding; Roland Carter has until 26 March 2029 and Clare Scherrer has until 29 April 2027 to meet the requirement.

TSR performance

The following graph shows the Company's total shareholder return (TSR) performance over the past ten years compared to the FTSE 100 Index. The FTSE 100 Index, of which the Company has been a member throughout the period, has been selected to reflect the TSR performance of other leading UK-listed companies. The values of hypothetical £100 investments in the FTSE 100 Index and Smiths Group plc shares at 31 July 2024 were £178.02 and £185.37 respectively.

Total Shareholder Return



Chief Executive's remuneration for the last ten years

	FY2024 R Carter	**FY2024 P Keel**	FY2023 P Keel	FY2022 P Keel	FY2021 P Keel	FY2021 A Reynolds Smith	FY2020 A Reynolds Smith	FY2019 A Reynolds Smith	FY2018 A Reynolds Smith	FY2017 A Reynolds Smith	FY2016 A Reynolds Smith	FY2016 P Bowman	FY2015 P Bowman
Total remuneration £000	**1,656**	**814**	4,285	1,832	450	2,753	2,196	4,130	3,251	2,320	2,964	1,602	4,195
Annual bonus outcome (% max)	**60.5%**	**0%**	70%	39%	76%	70%	17%	41%	42%	96%	89%	88%	80%
Common Investment Plan outcome (% max)	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%	100%
LTIP outcome (% max)	**76.7%**	**0%**	76%	n/a	n/a	19%	31%	75%	32%	n/a	n/a	18%	17%

Chief Executive pay ratios

These ratios set out the comparison between the Chief Executive's remuneration and that for employees in the UK workforce.

Total remuneration

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2024	**Option B**	**69:1**	**46:1**	**30:1**
FY2023	Option B	128:1	92:1	62:1
FY2022	Option B	58:1	39:1	26:1
FY2021	Option B	105:1	75:1	47:1
FY2020	Option B	75:1	53:1	34:1

Salary

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
FY2024	**Option B**	**27:1**	**19:1**	**13:1**
FY2023	Option B	27:1	19:1	13:1
FY2022	Option B	28:1	20:1	13:1
FY2021	Option B	35:1	25:1	17:1
FY2020	Option B	31:1	22:1	15:1

	Salary (£)	Total Remuneration (£)
Chief Executive	940,172	2,462,902
25th percentile employee	35,474	35,678
Median employee	50,474	53,150
75th percentile employee	73,500	81,555

The pay data for employees in the UK workforce has been calculated using Option B, based on the data used for gender pay reporting, due to the availability of data at the time the Annual Report was published. The gender pay reporting basis comprises salary and benefits as at 15 April 2024 and incentive payments payable in respect of FY2024. The Committee considers that this provides an outcome that is representative of the employees at these pay levels. It is assumed that the value of employee benefits is 7.0% of base salary as an average across the workforce.

The workforce remuneration figures are those paid to UK employees whose pay is at the 25th, median and 75th percentile of pay for the Smiths Group's UK employees. Figures are shown on both the prescribed basis using total pay and also salary only, which provides a useful ongoing comparison as it is a less volatile basis. The figure for the Chief Executive is the total of the payments made to Roland Carter and Paul Keel. The CEO pay ratio for salary is consistent with the prior year as the salary increases are aligned for the CEO and the wider UK workforce. There is a significant decrease in all ratios with regard to total remuneration as Paul Keel forfeited his annual bonus and LTIP upon resignation.

Percentage change in Directors' remuneration

	FY2023 to FY2024			FY2022 to FY2023			FY2021 to FY2022			FY2020 to FY2021		
	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus
CEO*	–	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Outgoing CEO	-45.0%	-48.5%	-100%	2.1%	-24.1%	185%	0%	239%	204%	n/a	n/a	n/a
CFO	8.3%	7.2%	2.2%	0.0%	10.7%	176%	n/a	n/a	n/a	n/a	n/a	n/a
NED	5.0%	-45%	n/a	2.5%	12.0%	n/a	2.5%	100%	n/a%	-4.0%	-100%	n/a
All employee average	5.0%	5.0%	-14%	2.5%	2.5%	180%	2.5%	2.5%	-34%	0.0%	0.0%	267%

* Roland Carter was appointed to the Board in March 2024 and year on year change can therefore not be calculated.

All employees' is defined as all UK Group employees. This was 196 employees at all grades in FY2024. It was 190 employees and 200 employees for FY2023 and FY2022 respectively.

Remuneration for the outgoing CEO Paul Keel was pro-rated for service from 25 May 2021 – 31 July 2021 for FY2021. Paul Keel forfeited his annual bonus for FY2024 upon his resignation on 25 March 2024. Remuneration for Roland Carter was pro-rated for service from 26 March 2024 for FY2024. Remuneration for the CFO Clare Scherrer was pro-rated for service from 29 April 2022 – 31 July 2022 for FY2022.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e., dividends and share buybacks) and total employee pay expenditure for FY2024 and FY2023 and the percentage change. The distributions are lower for FY2024 owing to a lower number of share buybacks than in FY2023.

	FY2024 £m	FY2023 £m	Change
Shareholder distributions	**217**	350	-38.0%
Employee costs	**992**	939	5.6%

Executive Directors' service contracts

The Company's policy is that Executive Directors are normally employed on terms which include a one-year rolling period of notice from the Company and six months' notice from the individual. The contract includes provision for the payment of a predetermined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Company is entitled to dismiss without compensation). In addition to payment of basic salary, pension allowance and benefits in respect of the unexpired portion of the one-year notice period and for good leavers only, the predetermined sum would include annual bonus and share awards only in respect of the period they have served, payable following the end of the relevant performance period and subject to the normal performance conditions.

Roland Carter is employed under a service contract with the Company dated and effective from 25 March 2024. He became an Executive Director with effect from 25 March 2024.

Clare Scherrer is employed under a service contract with the Company dated 13 April 2022 and effective 29 April 2022. She became an Executive Director with effect from 29 April 2022.

Paul Keel was employed under a service contract with the Company dated and effective from 25 May 2021. He became an Executive Director with effect from 25 May 2021 and stepped down as an Executive Director with effect from 25 March 2024.

The Company may elect to terminate the contract by making a payment in lieu of notice equal to the Director's base salary and benefits (including pension allowance) in respect of any unserved period of notice. The service contracts contain specific provisions enabling a reduction in any phased payments in lieu of notice, in the event that the Director finds alternative employment during the notice period. The service contracts are available for viewing at the Company's Registered Office.

Change of control provisions

In the event of a change of control, LTIP awards will vest to the extent that each of the performance conditions is met based on the Committee's assessment of performance over the performance period to the date of change of control. For internal performance measures, the Committee may exercise its judgement in determining the outcome based on its assessment of whether or not the performance conditions would have been met to a greater or lesser extent at the end of the full performance period. Awards will also normally be pro-rated to reflect the time that has elapsed between the grant of the award and the date of change of control. The Committee retains discretion to vary these provisions on a case by-case basis.

Non-executive Directors

Single figure of annual remuneration (audited)

	Salary/fees		Benefits[1]		Total	
	FY2024 £000	FY2023 £000	**FY2024 £000**	FY2023 £000	**FY2024 £000**	FY2023 £000
Steve Williams[2]	**354**	–	**–**	–	**354**	–
Sir George Buckley	**141**	465	**25**	44	**166**	509
Pam Cheng	**94**	91	**–**	–	**94**	91
Alister Cowan[3]	**7**	–	**–**	–	**7**	–
Dame Ann Dowling[4]	**98**	99	**3**	2	**101**	101
Karin Hoeing[5]	**92**	79	**–**	–	**92**	79
Richard Howes[6]	**92**	68	**–**	–	**92**	68
Bill Seeger[7]	**114**	151	**–**	4	**114**	155
Mark Seligman[8]	**95**	99	**1**	–	**96**	99
Noel Tata	**102**	95	**–**	3	**102**	98

Non-executive Director fees

Non-executive Director fees paid during FY2024 and payable during FY2025 are shown below. It was determined that the fee increase for the Chairman and the Non-executive Directors' base fee should mirror that awarded to the wider UK workforce. For FY2025 a 3% increase was agreed by the Chairman and Executive Directors. This will apply from 1 October 2024.

	FY2025	FY2024
Fee payable to Chair of the Board for all responsibilities	£481,000	£467,000
Non-executive Director base fee	£80,956	£78,598
Additional fee payable to the Senior Independent Director	£20,000	£20,000
Additional fee for Committee Chairs	£20,000	£20,000
Attendance allowance for each meeting outside the Non-executive Director's home continent	£4,000	£4,000

Share ownership guidance for Non-executive Directors

Non-executive Directors are encouraged to acquire shares in the Company with a value of one times the annual base fee, over a five-year period. The five-year period is from the later of 1 August 2021 or the date of appointment to the Board. In addition, the Non-executive Directors are encouraged to retain a shareholding of one times the annual base fee for at least two years after the Director leaves the Board.

Footnotes

1 Benefits for the Chairman and Non-executive Directors relate to reimbursed travel-related and other expenses (including flight costs and tax support where applicable), which are grossed up for the UK income tax and National Insurance contributions paid by the Company on their behalf.
2 Steve Williams joined the Board on 1 Sept 2023.
3 Alister Cowan joined the Board on 1 July 2024.
4 Dame Ann Dowling's fee comprised her Non-executive Director's fee and her additional fee for chairing the Innovation, Sustainability & Excellence Committee.
5 Karin Hoeing's fees comprised her Non-executive Director's fee and her additional fee for chairing the Remuneration & People Committee.
6 Richard Howes' fees comprised his Non-executive Director's fee and his additional fee for Chairing the Audit & Risk Committee
7 Bill Seeger's fees comprised his Non-executive Director's fee, his additional fees for chairing the Remuneration & People and Finance Committees and his additional fee as Senior Independent Director. Bill retired from the Board on 31 May 2024.
8 Mark Seligman's fees comprised his Non-executive Director's fee and his additional fee for chairing the Audit & Risk Committee and his additional fee as the Senior Independent Director.

Non-executive Directors' shareholdings (audited)

The table below shows the shareholding for each Non-executive Director.

	31 July 2024
Steve Williams	14,000
Pam Cheng	6,000
Alister Cowan	13,000
Dame Ann Dowling	5,813
Karin Hoeing	2,146
Richard Howes	3,739
Mark Seligman	6,000
Noel Tata	6,000

Following a quarterly acquisition of ordinary shares, under a share purchase agreement using a fixed proportion of their after-tax fees received from the Company (20%), Karin Hoeing acquired 317 shares and Richard Howes acquired 99 shares on 1 August 2024. There have been no further changes between 1 August 2024 and 23 September 2024.

Chairman's and Non-executive Directors' letters of appointment

The Chairman and the Non-executive Directors serve the Company under letters of appointment and do not have contracts of service or contracts for services. Except where appointed at a General Meeting, Directors stand for election by shareholders at the first AGM following appointment. The Board has resolved that all Directors who are willing to continue in office will stand for re-election by the shareholders each year at the AGM. Either party can terminate the appointment on one month's written notice and no compensation is payable in the event of an appointment being terminated early. The letters of appointment or other applicable agreements are available for viewing at the Company's Registered Office.

	Date of appointment
Steve Williams	1 September 2023
Pam Cheng	1 March 2020
Alister Cowan	1 July 2024
Dame Ann Dowling	19 September 2018
Karin Hoeing	2 April 2020
Richard Howes	1 September 2022
Mark Seligman	16 May 2016
Noel Tata	1 January 2017

Statement of shareholder voting

The table below sets out the Company voting outcome of the advisory resolution for approval of the Directors' Remuneration Report at the 2023 AGM and the approval of the Directors' Remuneration Policy at the 2021 AGM:

Resolution	Votes for	% of votes cast for	Votes against	% of votes cast against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Report	262,514,509	97.53	6,640,919	2.47	269,155,428	3,532,235
Directors' Remuneration Policy	282,034,458	86.69	43,312,009	13.31	325,346,467	4,371,952

Advisers to the Committee

During the year, the Committee received material assistance and advice from the Chief Executive Officer, the Chief People Officer, the Global Reward Director, Deloitte LLP and Freshfields Bruckhaus Deringer LLP. The Committee's appointed independent remuneration adviser is Deloitte LLP. The Company Secretary is secretary to the Committee.

The Company paid a total fee of £102,850 to Deloitte LLP in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses. During FY2024, Deloitte LLP provided the Committee with information on market, compliance support for this year's Directors' Remuneration Report and the provision of other advice relating to remuneration governance and market practice. Deloitte LLP is a founding member of the Remuneration Consultants Group and a signatory to its Code of Conduct. Deloitte LLP provided additional tax advisory services including global corporation tax compliance and employee mobility advice, as well as company secretarial, internal audit co-source, transaction and consultancy services.

The Committee is satisfied that the advice provided by Deloitte LLP is objective and independent and that it does not have connections with the Group that may impair its independence.

Summary of Remuneration Policy

The Remuneration Policy which follows on pages 109 to 117 will be put to a shareholder vote at the AGM on 13 November 2024 and, if approved, will be subsequently set out on the Company's website. The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Karin Hoeing
Chair of the Remuneration & People Committee

Remuneration Policy Report

The Remuneration Policy for Directors will be put to a vote at the AGM held on 13 November 2024, and if approved, will be effective for a period of up to three years from this date.

Remuneration Policy review

Over the last 12 months, the Committee has undertaken a comprehensive review of remuneration arrangements, with a particular focus in ensuring it supports the retention and incentivisation of our global executive team and continues to drive an ambitious growth strategy. Our executive talent is sourced from a range of industrial, scientific and technology backgrounds across the world, reflecting our global footprint. As part of the Policy review process, stakeholder consultation was carried out and input was received from Remuneration & People Committee members, Board Members and key management personnel, whilst ensuring that conflicts of interest were suitably mitigated. Input was provided by Deloitte, the Committee's appointed independent advisers throughout the process. We also engaged more widely with our largest shareholders and are pleased that they were broadly supportive of the changes proposed to our Remuneration Policy. The remuneration policies and practices throughout the Group, market practice both in the UK and against our global peers, and the UK Corporate Governance Code were also taken into account.

Summary of key changes

The Remuneration & People Committee concluded that the current Policy and incentive framework remains broadly fit for purpose and creates strong alignment between executives and shareholders. As such, we are proposing a number of relatively modest adjustments to support talent retention and attraction over the life of the Policy.

Long-Term Incentive Plan (LTIP) awards – We will maintain the fixed shares approach for our Executive Directors, which applies to all LTIP participants across the Smiths Group and is well understood. It is intended that the CEO will receive an annual grant of 190,000 shares, reflecting a modest rounding to the existing Policy approach, and the CFO will receive an annual grant of 110,000 shares. Under the current policy, an overall cap of 400% of salary applies. This was intended to restrict the value of fixed shares in the event that the share price increased by more than 33% over the relevant period. It is proposed that this cap is adjusted to 500% of salary to provide additional headroom in incentivising share price growth and value creation.

Annual Incentive Plan (AIP) – It is proposed that the maximum AIP opportunity is increased from 200% to 250% of salary to ensure the Policy has flexibility to support the attraction and retention of current and future Executive Directors over the life of the three-year Policy, and drive incentivised performance and growth through the successful execution of our strategy. For 2024, it is intended that the CEO and CFO will be eligible for a maximum AIP opportunity of 230% and 200% of salary respectively. In the event of using additional headroom in the Policy, we would consult with shareholders. We will continue to operate the deferral of one third of any earned bonus in Smiths shares for three years. This operates alongside our shareholding guideline, which requires Executive Directors to build and hold shares equivalent to their annual LTIP grant as a fixed number of shares, within five years.

The Remuneration & People Committee intends that the new Policy will operate for three years. However, its effectiveness will be monitored, and if further changes are needed over the three-year lifecycle of the Policy before its renewal at the 2027 AGM, a new Policy may be put to vote at an earlier General Meeting.

Remuneration Policy for the Executive Directors

Base salary

Purpose	Operation	Opportunity	Performance measures
To attract, motivate and retain Executive Directors with the required skills and expertise to deliver the Group's objectives	Salaries are normally reviewed (but not necessarily adjusted) annually. On review, consideration is given by the Committee to a range of factors including, but not limited to, individual performance and experience, changes in role and responsibility, the relative performance of the Company and the Remuneration Policy operated across the Group as a whole. The Remuneration & People Committee may also consider pay data for comparable roles at companies of similar market capitalisation, revenues and complexity. The salary increase date (if applicable) is normally 1 October.	Base salaries are adjusted according to the outcome of the annual review and will be disclosed in the Annual Report on Remuneration. There is no maximum salary or maximum increase in salary under the Policy. Salary increases for the Executive Directors will normally be in line with those awarded to Smiths Group's wider employee population. Where increases are awarded in excess of this, for example if there is a material change in the responsibility, size or complexity of the role, or a significant change in the market competitiveness of salary, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Not applicable

Benefits

Purpose	Operation	Opportunity	Performance measures
To provide market-competitive benefits to Executive Directors	Benefits comprise car benefit, driver for business purposes, life assurance and private healthcare insurance, and other such benefits as the Committee may from time to time determine are appropriate. These include, but are not limited to, relocation allowances, as well as any other future benefits made available either to all employees globally or all employees in the region in which the Executive Director is employed, or benefits that may be necessary in order to be competitive locally.	Benefits vary by role and individual circumstances. Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration. Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee. The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside the Group's control have changed materially (e.g. market increases in insurance costs).	Not applicable

Pensions

Purpose	Operation	Opportunity	Performance measures
Enables Executive Directors to save for their retirement in a cost-efficient manner	Executives may choose either to participate in the Company's defined contribution pension plan or to receive a pension allowance in lieu thereof (and thus arrange their own pension provision). Pension allowances for the employee population are reviewed periodically to ensure market competitiveness. Base salary is the only element of remuneration that is taken into account when determining pension contributions or allowances.	The maximum level of pension contribution (or allowance in lieu thereof) for Executive Directors will be aligned to the rates available to the wider workforce in the Executive Director's local market.	Not applicable

Remuneration Policy for the Executive Directors continued

Annual bonus

		Opportunity	Performance measures
Incentivises short-term priorities in line with the Group's business strategy.	Annual bonus payments are determined based upon performance against measures and targets normally set by the Committee at the start of each financial year. After the end of the financial year, to the extent that the performance criteria have been met, up to 67% of the earned annual bonus is paid in cash. The balance is normally deferred into shares and released after a further period of three years, without further performance or other conditions. Dividends accrue and are normally payable in shares at the end of the deferral period. The Committee may use its discretion to adjust payout of the annual bonus, both upwards and downwards, to Executive Directors, within the range of the minimum to maximum opportunity, including reducing it down to zero. Such discretion will be used in circumstances such as, but not limited to, where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance. In addition, cash and deferred share bonuses awarded will be subject to malus and/or clawback for a period of three years from the end of the relevant performance year in case of misconduct, serious reputational damage, corporate failure or material misstatement in the published results of the Group.	The maximum annual bonus opportunity for Executive Directors is up to 250% of salary. The annual bonus opportunities for the year under review and the coming year are disclosed in the Annual Report on Remuneration. Under the financial element of the annual bonus, threshold performance must be exceeded before any annual bonus becomes payable. The percentage payout then increases according to the level of achievement against targets. Payment of up to 25% of maximum opportunity occurs on achievement of threshold performance and 50% of maximum opportunity on achievement of on-target performance. For non-financial measures, the amount of bonus earned will be determined by the Committee between 0% and 100% by reference to its assessment of the extent to which the relevant metric or objective has been met.	Based on a combination of financial and non-financial performance measures linked to short-term objectives. Financial performance will normally account for no less than 70% of the bonus opportunity and may include, but is not limited to, profit, organic revenue growth and cash measures.

Remuneration Policy for the Executive Directors continued

Long-Term Incentive Plan (LTIP)

		Opportunity	Performance measures
Incentivises long-term value creation for shareholders, sustainable growth and effective management of the balance sheet	Awards of conditional shares are normally granted annually and vest after a performance period of at least three years, subject to the achievement of performance targets set by the Committee, normally at the start of each cycle. Vested shares are subject to a two-year post vesting holding period. To the extent that the performance targets are not met over the performance period, awards will normally lapse. No retesting of awards under any performance condition is permitted. Dividends accrue and are normally paid in shares at the end of the vesting period, on shares that vest. The Committee may use its discretion to adjust payout of the LTIP to Executive Directors, within the limits of the Plan rules. Such discretion will be used in circumstances such as, but not limited to, where the Committee believes that performance against the prescribed targets does not accurately reflect the Company's underlying performance. Awards will be subject to malus over the vesting period and clawback from the vesting date for a period of five years from the date of grant in the case of misconduct, serious reputational damage, corporate failure or material misstatement in the published results of the Group.	The maximum LTIP award opportunity for Executive Directors is up to 500% of salary. Normally, awards of a fixed number of shares will be made in respect of the relevant financial year. For awards made in respect of FY2025, this fixed number of shares is 190,000 shares for the CEO and 110,000 shares for the CFO. In future years for which this policy applies, normally it is intended that the Executive Directors will each be awarded the same fixed number of shares as in respect of FY2025. In the event that the Company share price increases during the three-year policy period, the fixed number of shares awarded will be restricted so that the value of the award is no more than 500% of salary. LTIP award sizes for the relevant year will be disclosed in the Annual Report on Remuneration. At threshold performance against each measure, up to 25% of the award subject to that measure vests, increasing to 100% for achieving stretch targets.	Based on measures of performance that are aligned with the Group's strategy. To ensure continued alignment with the Company's strategic priorities, the Committee may, at its discretion, vary the measures and their weightings from time to time (but will consult shareholders before making significant changes to the performance measures).

Sharesave

	Opportunity	Performance measures
Encourages ownership of shares in the Company and alignment with shareholder interests.	All UK employees (including Executive Directors) may save up to a maximum monthly savings limit (as determined by UK legislation, or other such lower limit as the Committee may determine at its discretion) for three years. At the end of the savings period, participants may use their savings to exercise options to acquire shares, which may be granted at a discount of up to 20% to the market price on grant.	None required

Shareholding guidelines

	Opportunity	Performance measures
Encourages ownership of shares in the Company and alignment with shareholder interests.	Executive Directors should build a minimum shareholding equivalent to the fixed number of shares awarded in respect of FY2025 under the LTIP within five years. In normal circumstances, 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. Shareholding guidelines may also apply below Executive Director level. Executive Directors are required to hold shares equivalent to their full in-employment shareholding guideline, or actual holding if lower, for two years post-employment.	None applicable

Existing grants or entitlements

It is the Company's intention to honour all pre-existing commitments at the date of this Report and to honour all future obligations entered into, consistent with the approved Remuneration Policy in force at that time. In the case of internal promotion to the Board, the Committee intends to honour any pre-existing commitments made prior to becoming a member of the Board, including where these differ from the approved Remuneration Policy.

Performance measure selection and approach to target setting

Annual bonus measures are selected to reflect the Company's short-term financial and non-financial priorities. At its discretion, the Committee may vary these measures at the start of each financial year to maintain close alignment between executive incentives and the annual operating plan.

The measures used in the Long-Term Incentive Plan are selected to reflect Smiths Group strategy and to reinforce the key drivers of value creation and growth highlighted elsewhere in this Annual Report which may include, but are not limited to, earnings per share, cash measures, organic revenue growth, delivering sustainable return on capital and measures relating to Environmental, Social and Governance matters. The Committee retains full discretion to change the performance metrics, weightings and targets of the annual bonus and LTIP if there is a significant and material event which causes the Committee to believe the original metrics, weightings and targets are no longer appropriate. The rationale will be disclosed in the Remuneration Report of the following year.

Annual bonus and LTIP targets are reviewed annually, and take into account the Company's strategic plan, analyst forecasts for Smiths and its sector comparators and external expectations for Smiths key markets. The Committee sets targets that it considers to be challenging but attainable and aligned to the Company's business objectives over the short term, as reflected in the annual operating plan, and longer term, consistent with the strategic plan. On top of aligning incentives with strategy, targets are designed to ensure that participants' interests are aligned with the interests of shareholders.

The linkage of the performance measures to business strategy is set out in the 'Executive remuneration at a glance' section of the Remuneration Report.

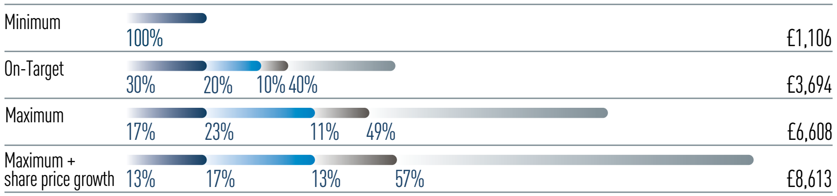
Alignment of policy between Executive Directors and other employees

The reward policy for other senior employees is broadly consistent with that for Executive Directors. The Company operates a deferred bonus plan which only applies to Executive Directors, all other incentive plans have broader participation across the Company. The Committee reviews each year the all-employee pay and incentive trends and takes these into account in setting Executive Director remuneration levels. The principles of remuneration packages being market-related, performance-sensitive and driven by business needs are applied at all levels and geographies in the Group and the performance measures used in incentive plans apply generally across all levels of the business.

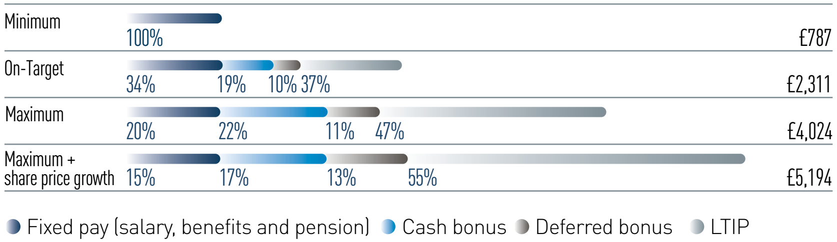
Pay scenarios

The graphs below provide estimates of the potential future reward opportunity for the Chief Executive and the Chief Financial Officer, and the potential mix between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-Target', 'Maximum' and 'Maximum + Share Price growth' (which assumes a 50% increase in share price over the LTIP vesting period).

CEO (£000)



CFO (£000)



Potential opportunities illustrated above are based on the Policy, applied to the annualised base salaries in force from 1 October 2024. It should be noted that any awards granted under the LTIP in a year do not normally vest until the third anniversary of the date of grant. This illustration is intended to provide further information to shareholders on the relationship between executive pay and performance. Please note that actual pay delivered will further be influenced by factors such as share price appreciation or depreciation and the value of dividends paid. The following assumptions have been made in compiling the above charts:

	Minimum	On-Target	Maximum
Base salary		Annual base salary	
Pension		Company pension allowance	
Other benefits		Value of annual benefits provided	
Cash bonus	0% of salary	77% (CEO), 67% (CFO) of salary	153% (CEO), 133% (CFO) of salary
Deferred bonus	0% of salary	38% (CEO), 33% (CFO) of salary	77% (CEO), 67% (CFO) of salary
LTIP	0% of salary	152% (CEO), 127% (CFO) of salary	337% (CEO), 282% (CFO) of salary

Remuneration Policy for the Chairman and Non-executive Directors

Annual fee

	Opportunity	Performance measures
To attract, motivate and retain Non-executive Directors with the required skills and expertise.	Fees may be paid in cash or a combination of cash and shares and are reviewed annually (but not necessarily increased) to ensure they compare appropriately to fees payable at companies of similar size and complexity to Smiths. Additional fees are paid to the Committee Chairs and to the Senior Independent Director to reflect the additional time commitment of these roles. Additional fees may be paid for other responsibilities or time commitments. The fee paid to the Chairman of the Board is determined by the Committee, absent the Chairman, while the fees for all Non-executive Directors are agreed by the Chairman and the Executive Directors. Fees are adjusted according to the outcome of the annual reviews. The basic fee for Non-executive Directors is subject to the maximum aggregate annual fee of £1,000,000, as approved by shareholders in 2017 and as set out in the Company's Articles of Association.	Not applicable

Other

	The Chairman and Non-executive Directors do not currently receive any benefits and are not eligible for bonuses or participation in share schemes or any pension provision. They may be paid an attendance allowance for each meeting attended outside their home continent in addition to the annual fee. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors (including any associated tax liability). The Group may provide advice and assistance with Board Directors' tax returns where these are impacted by the duties they undertake on behalf of the Group. Modest retirement gifts, with a value of up to a maximum of £2,500, may be provided for Non-executive Directors in appropriate circumstances. Non-executive Directors are encouraged to build up a shareholding of at least 100% of their annual base fee over the later of five years from their date of appointment or the adoption of this guideline.	

Approach to remuneration on recruitment and leaving

Executive Directors

The Committee approves the remuneration of each Executive Director on their appointment. The package should be market competitive to facilitate the recruitment of an individual of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent. In setting the remuneration during the recruitment of external appointments, the Committee will apply the following policy:

Pay element	Policy on recruitment
Base salary	Salary on recruitment is determined based on the same principles as the annual salary review, as outlined in the policy table.
Benefits	As described in the policy table.
Pensions	As described in the policy table.
Annual bonus	As described in the policy table and typically pro-rated for the proportion of year served. Maximum annual award opportunity: 250% of salary.
LTIP	May be considered for an award under the LTIP on similar terms to other executives. Maximum annual award opportunity: 500% of salary.
Other	The structure of the ongoing remuneration package would normally include the components set out in the policy table for Executive Directors. Circumstances in which other elements of remuneration may be awarded include: – an interim appointment being made to fill an Executive Director role on a short-term basis; – if exceptional circumstances require that the Chairman or a Non-executive Director takes on an executive function on a short-term basis; – if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The Committee may make an award to compensate the prospective employee for remuneration arrangements forfeited on leaving a previous employer or engagement. Any such award will take account of relevant factors including the form of any forfeited awards (e.g. cash or shares) including the value of awards forfeited, any performance conditions attached, the likelihood of those conditions being met and the proportion of the vesting period remaining. For the purposes of making such awards, but for no other reason, the Committee may avail itself of Listing Rule 9.3.2R. Such awards or payments are excluded from the maximum level of variable remuneration referred to below. However, the Committee's intention is that the value awarded or paid would be no higher than the expected value of the forfeited arrangements. Recruitment awards will normally be liable to forfeiture or, "clawback", on early departure (i.e. within the first 12 months of employment). The maximum level of variable remuneration that may be granted to new Directors (excluding buy-out arrangements) is 750% of base salary. The Committee may also make payments to cover reasonable expenses in recruitment and relocation, and any other miscellaneous expenses including but not limited to housing, tax and immigration support.

In cases of appointing a new Executive Director by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above. Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled, although the Company may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other Executive Directors and prevailing market best practice.

Disclosure on the remuneration structure of any new Executive Director (external or internal), including details of any exceptional payments, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which the recruitment occurred. Respecting diversity is woven into everything we do. We ensure that equal opportunities are inherent when interviewing, recruiting and promoting employees with decisions made based on skills and expertise first and foremost.

Non-executive Directors

In recruiting a new Non-executive Director, the Committee will use the policy as set out in the table on page 114.

Executive Directors' service contracts

The Company's policy is that Executive Directors are normally employed on terms which include a one-year rolling period of notice from the Company and six months' notice from the individual. The contract includes provision for the payment of a predetermined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Company is entitled to dismiss without compensation). In addition to payment of basic salary, pension allowance and benefits in respect of the unexpired portion of the one-year notice period, the predetermined sum would include annual bonus and share awards only in respect of the period they have served, payable following the end of the relevant performance period and subject to the normal performance conditions.

The service contracts for both Executive Directors may be terminated by 12 months' notice given by the Company or six months' notice given by the Director. The Company may elect to terminate the contract by making a payment in lieu of notice equal to the Director's base salary and benefits (including pension allowance) in respect of any unserved period of notice. The service contracts contain specific provisions enabling a reduction in any phased payments in lieu of notice, in the event that the Director finds alternative employment during the notice period. The service contracts are available for viewing at the Company's Registered Office.

Chairman's and Non-executive Directors' letters of appointment

The Chairman and the Non-executive Directors serve the Company under letters of appointment and do not have contracts of service or contracts for services. Except where appointed at a general meeting, Directors stand for election by shareholders at the first AGM following appointment. The Board has resolved that all Directors who are willing to continue in office will stand for re-election by the shareholders each year at the AGM. Either party can terminate the appointment on one month's written notice and no compensation is payable in the event of an appointment being terminated early. The letters of appointment or other applicable agreements are available for viewing at the Company's Registered Office.

Leaving and change-of-control provisions

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual. For those individuals regarded as 'bad leavers' (e.g. voluntary resignation or dismissal for cause), normally, annual bonus awards are forfeited, and outstanding awards under the LTIP automatically lapse. Deferred bonus awards are forfeited on dismissal for cause.

A 'good leaver' will typically remain eligible for a pro-rated annual bonus award, normally to be paid after the end of the financial year. The Committee retains discretion to pay the bonus early and not to apply deferral where it would otherwise apply, but would do so only in compassionate circumstances. Deferred bonus awards shall continue in full and vest on the originally anticipated vesting dates. Alternatively, in compassionate circumstances, the Committee may determine that awards should vest when the participant ceases employment. Awards in the form of options may be exercised in accordance with the rules of the applicable scheme.

LTIP awards will typically vest at the normal vesting date to the extent that the associated performance conditions are met, but will normally be pro-rated on the basis of actual service within the performance period. Any holding period will ordinarily continue to apply. The Committee retains discretion to vest the award before the end of the originally anticipated performance period, and to assess performance accordingly, and to waive the continuation of the holding period or to shorten its application, but would do so only in compassionate circumstances.

Vested LTIP awards which are subject to a holding period will ordinarily continue to be subject to the holding period, although the Committee retains discretion to waive the continuation of the holding period or to shorten its application, but would normally do so only in compassionate circumstances.

In cases of death or disability, individuals are automatically deemed to be good leavers under the plan rules of the LTIP. All other good leavers will be defined at the discretion of the Committee on a case-by-case basis.

In the event of a change of control, LTIP awards will vest to the extent that each of the performance conditions is met based on the Committee's assessment of performance over the performance period to the date of change of control. For internal performance measures, the Committee may exercise its judgement in determining the outcome based on its assessment of whether or not the performance conditions would have been met to a greater or lesser extent at the end of the full performance period. Awards will also normally be pro-rated to reflect the time that has elapsed between the grant of the award and the date of change of control.

The Committee retains discretion to vary these provisions on a case-by-case basis.

In connection with the termination of an Executive Director's contract, the Company may make a payment on account of accrued but untaken leave. The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements.

External appointments

Subject to the overriding requirements of the Company, the Committee allows Executive Directors to accept one external appointment where it considers that such appointment will contribute to the Director's breadth of knowledge and experience. Executive Directors are not permitted to take on the chairmanship of another FTSE 100 company or equivalent organisation. Directors are permitted to retain fees associated with such appointments. Non-executive Directors must obtain the approval of the Board before accepting any additional appointments once they have joined the Board.

Consideration of employment conditions

The Committee always takes into account pay and employment conditions elsewhere in the Company. When setting remuneration for Executive Directors and the senior management team, the Committee carefully considers wider remuneration across the Group, including salary increases, bonus awards, share plan participation and pay ratios between Executive Directors and other employees. This has been a particular area of focus for the Committee in designing a new policy that is capable of cascade down the organisation.

We are committed to sharing business success across the organisation, with c.6,500 employees currently participating in an annual bonus plan. There is strong alignment of business metrics between the Executive Directors bonus plan and those in which the majority of the workforce participate. In addition, the Group offers an all-employee sharesave plan to eligible employees in the UK.

Application of the policy will be influenced by the remuneration arrangements for all employees.

Consideration of shareholder views

The Committee considers best practice developments and publications from institutional investors and shareholder bodies as well as any shareholder views expressed during dialogue. The Committee is committed to maintaining an open and consultative dialogue with Company shareholders and shareholder bodies. During the year a formal shareholder consultation exercise was undertaken as part of the review of the Policy, to provide the major shareholders with the opportunity to provide feedback and engage on our proposals.

Directors' report

The Strategic report is a requirement of the Companies Act 2006 (the Act) and can be found on pages 2 to 70. The Company has chosen, in accordance with section 414C(11) of the Act, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. The Strategic report and the Directors' report together are the management report for the purposes of Rules 4.1.8R to 4.1.12R of the Disclosure Guidance and Transparency Rules.

Other information that is relevant to the Directors' report, and which is also incorporated by reference, can be found as follows:

Disclosure	Location
Likely future developments in the Company	Strategic report pages 2 to 31
Directors' dividend recommendation	Strategic report page 22
Research and development activities	Strategic report pages 24 to 31
Employment of disabled persons	ESG metrics, targets and performance pages 65
Engagement with UK employees	Our people and culture page 9 Building our culture page 13 ESG metrics, targets and performance pages 65 to 67 Governance report pages 78 and 80
Engagement with suppliers, customers and others in a business relationship with the Company	Sustainability at Smiths pages 32 to 39 Governance report pages 78 to 81
Political donations and expenditure	Directors' report page 119
GHG emissions, energy consumption and energy efficiency	ESG metrics, targets and performance pages 62 to 64
Corporate Governance Statement	Governance report pages 71 to 119
Directors during FY2024	Governance report pages 73 and 74
Director appointment	Governance report page 85
Amendment of Articles of Association	Governance report page 85
Indemnities	Governance report page 76
Change of control	Remuneration & People Committee report pages 107 and 116 Directors' report page 118 Borrowings and net debt note 18
Directors' responsibility statement	Statement of Directors' responsibilities page 120
Disclosure of information to the auditor	Statement of Directors' responsibilities page 120
Financial instruments	Financial risk management note 19
Share capital disclosures	Share capital note 24
Acquisition of own shares (share buyback programme)	Share capital note 24
Directors' powers	Governance report page 72 Share capital note 24
Post balance sheet event	Post balance sheet event note pages 194 and 209
Overseas branches	Subsidiary undertakings page 216

Change of control

The Company and two of its businesses, Smiths Detection and Smiths Interconnect, have Special Security Agreements with the US Department of Defense in order to comply with the US government's national security requirements. In the event of a change of control of the Company, the agreements may be terminated or altered by the US Department of Defense.

Listing Rules disclosure

Information required by the FCA's Listing Rules can be found as set out below. There are no further disclosures required in accordance with Listing Rule 6.6.1R.

Listing Rule	Disclosure	Location
6.6.1R(1)	Capitalised interest	There was no interest capitalised during FY2024
6.6.1R(11)(12)	Dividend waiver	Dividend note 25
6.6.6R(1)	Directors' interests	Remuneration & People Committee Report pages 108
6.6.6R(2)	Major shareholders' interests	Directors' report page 119
6.6.6R(3)(a)(b)	Going Concern and Viability Statement	Strategic report pages 68 to 70
6.6.6R(4)(a)	Purchase of own shares	Share capital note 24
6.6.6R(5)(6)(a)(b)	UK Corporate Governance Code compliance	Governance report page 71
6.6.6R(7)	Unexpired term of service contract	Remuneration & People Committee report pages 106 to 107
6.6.6R(8)(a)(b)	TCFD disclosures	Task Force on Climate-related Financial Disclosures page 49 to 59
6.6.6R(9)(10)(11)	Board and executive management diversity	ESG metrics, targets and performance pages 66 and 67 Governance report page 86

Political donations

The Group did not give any money for political purposes in the UK, the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. In accordance with the US Federal Election Campaign Act, Smiths provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by the Company and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising Government Relations employees and reported to all eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during FY2024 totalled US$28,000 (FY2023: US$6,000).

Major shareholders' interests

As at 31 July 2024, the Company had been notified under the FCA's Disclosure Guidance & Transparency Rules of the following holdings of voting rights in its shares:

	Number of voting rights	% of total voting rights	Date of notification
BlackRock, Inc.	23.3m	5.9	31 May 2018
Harris Associates L.P.	19.7m	5.0	22 July 2019
Dodge & Cox	19.2m	5.0	12 March 2022
Ameriprise Financial, Inc.	17.7m	5.0	5 December 2022
Artemis Investment Management LLP	17.6m	4.9	25 October 2022

No further notifications were received between 1 August and 12 September 2024.

By order of the Board

Matthew Whyte
Company Secretary

23 September 2024

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report, including a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement, and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether applicable UK-adopted international accounting standards have been followed;
- For the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed subject to any material departures disclosed and explained in the Parent Company financial statements;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate governance and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Directors' responsibility statement

Each of the Directors (who are listed on pages 73 and 74) confirms that to the best of his or her knowledge:

- The financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report and Directors' Report, together the management report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- As at the date of this Annual Report and financial statements, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps he or she should have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board of Directors:

Roland Carter
Chief Executive Officer

23 September 2024

KPMG LLP's Independent Auditor's Report

To the members of Smiths Group plc

Financial statements

1. Our opinion is unmodified

In our opinion:

- the financial statements of Smiths Group plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2024, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Smiths Group plc ("the Company") for the year ended 31 July 2024 (FY2024) included in the Annual Report and Accounts, which comprise:

Group (Smiths Group plc and its subsidiaries)	Parent Company (Smiths Group plc)
The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash-flow statement	Company balance sheet, Company statement of changes in equity
Notes 1 to 31 to the Group financial statements, including the accounting policies.	Notes 1 to 13 to the Parent Company financial statements, including the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Risk Committee ("ARC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

Following our FY2023 audit, and considering developments affecting the Group since then, we have updated our risk assessment decisions.

The Group recognises a goodwill balance in Detection CGU of £625m (FY2023: £630m) which is subject to impairment assessment annually. The impairment assessment relies on assumptions and estimates which are subject to high degree of uncertainty. The recoverability of goodwill is sensitive to changes in these assumptions. Consistent with FY2023, there is significant auditor judgement involved in evaluating the assumptions and our assessment of the risk associated with this as a key audit matter remained consistent with prior year.

The Group recognises a provision of £220m (FY2023: £204m) arising from ongoing asbestos litigation claims in John Crane Inc (JCI). There are significant judgements and estimates involved in the assumptions underlying this provision including the period over which potential claims are projected to be made, the forecast number of future claims and associated claim defence costs and complex estimation methodology. Consistent with FY2023, there is significant auditor judgement involved in evaluating the assumptions and our assessment of the risk associated with this as a key audit matter remained consistent with prior year.

The Parent Company has material pension plan assets and liabilities, especially in the UK. Small changes in the assumptions used to determine the liabilities, those relating to discount rates, inflation and mortality, can have a significant impact on the valuation of the liabilities. The effect of these matters is that we determined that the valuation of liabilities has a high degree of estimation uncertainty. Consistent with FY2023, there is significant auditor judgement involved in evaluating the assumptions and our assessment of the risk associated with this as a key audit matter remained consistent with prior year.

Key Audit Matters	Vs FY2023	Item
Recoverability of goodwill in respect of the Smiths Detection CGU (a)	←→	4.1
Estimation of litigation provisions for asbestos in John Crane, Inc (a)	←→	4.2
Defined benefit pension plan liabilities for SIPS (b)	←→	4.3

(a) Key audit matter to the Group financial statements
(b) Key audit matter to the Parent Company financial statements

Audit Committee interaction

During the year, the ARC met 4 times. KPMG are invited to attend all ARC meetings and are provided with an opportunity to meet with the ARC in private sessions without the Executive Directors being present. For each key audit matter, we have set out communications with the ARC in section 4, including matters that required particular judgement for each.

The matters included in the Audit and Risk Committee Chair's report on pages 87 to 93 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and remain independent of the Group in accordance with, UK ethical requirements, including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY2024 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 July 2020. The period of total uninterrupted engagement is for the 5 financial years ended 31 July 2024.

The Group engagement partner is required to rotate every 5 years. As these are the second set of the Group's financial statements signed by Mike Barradell, he will be required to rotate off after the FY2027 audit.

The average tenure of partners responsible for component audits as set out in section 7 below is 3 years, with the shortest being 1 and the longest being 5.

Total audit fee	£6.4m
Audit related fees (including interim review)	£0.4m
Other services	£0.1m
Non-audit fee as a % of total audit and audit related fee %	7.2%
Date first appointed	13 November 2019
Uninterrupted audit tenure	5 years
Next financial period which requires a tender	2030
Tenure of Group engagement partner	2 years
Average tenure of component signing partners	3 years

Materiality (Item 6 below)

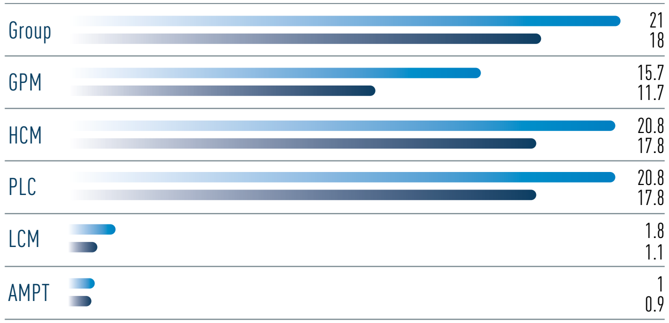
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £21m (FY2023: £18m) and for the Parent Company financial statements as a whole at £20.8m (FY2023: £17.8m).

Consistent with FY2023, we determined that Group Profit before tax normalised to exclude the effect of specific items as explained in section 6 of this report remains the benchmark for the Group. As such, we based our Group materiality on normalised PBTCO of £398m (FY2023: £392m), of which it represents 5.3% (FY2023: 4.6%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets, limited to be less than Group materiality as a whole. It represents 0.7% (FY2023: 0.3%) of Parent Company total assets.

Materiality levels used in our audit



FY2024 £m   FY2023 £m

Group Group Materiality
GPM Group Performance Materiality
HCM Highest Component Materiality
PLC Parent Company Materiality
LCM Lowest Component Materiality
AMPT Audit Misstatement Posting Threshold

Group Scope (Item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Consistent with prior year, all components were identified based on the Group's legal entities except for the Flex-Tek business, which was identified as a single component, with the component auditor providing an opinion on the sub-consolidation prepared at the business level.

We subjected 8 (FY2023: 7) to full scope audits for Group purposes and 10 (FY2023: 10) to specified risk-focused audit procedures or audit of specific account balances. The components for which we performed specified risk-focused audit procedures and audit of specific account balances were not individually financially significant enough to require a full scope audit for Group purposes but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit and Risk Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

- Full scope audits 54%
- Audits of specific account balances 17%
- Specified risk-focused audit procedures 0%
- Remaining components 29%

- Full scope audits 80%
- Audits of specific account balances 3%
- Specified risk-focused audit procedures 5%
- Remaining components 12%

- Full scope audits 56%
- Audits of specific account balances 13%
- Specified risk-focused audit procedures 0%
- Remaining components 31%

The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. As the Group has set out on page 50, climate change has the potential to give rise to a number of transition risks and opportunities and physical risks and opportunities. The Group has stated their commitment to achieve Net Zero for Scope 1 & 2 emissions by 2040 and to achieve Net Zero for Scope 3 emissions by 2050. The area of the financial statements that is most likely to be potentially affected by climate related changes and initiatives is future loss of revenue due to supply chain challenges. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, as described on page 49 and concluded this did not have a material effect on the consolidated financial statements. We performed a risk assessment, taking into account climate change risks and the commitments made by the Group. We held inquiries of management regarding their processes for assessing the potential impact of climate change risk on the Group's financial statements and held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment, we determined that there was no significant impact of climate change on our key audit matters included in section 4 or other key areas of the audit. We have read the Group's disclosure of climate related information in the front half of the Annual Report as set out on pages 49 to 59 and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period were:

- Adverse trading conditions and impact on the Group's operations or that of its suppliers and customers, such as delays and cancellations of orders and deliveries, driven by geo-political and economic factors, resulting in a significant deterioration in the Group's liquidity position.
- Product quality failure which would result in reputational damage amongst customers and therefore reduction in orders and customer loss as well as potential significant liability claims raised against the Group.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts. We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement on page 140 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 140 to be acceptable; and
- The related statement under the Listing Rules set out on page 68 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the going concern and viability statement on page 68 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- risk management disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the going concern and viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 68 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Recoverability of Goodwill for Detection business (Group)

Financial Statement Elements

	FY2024	FY2023
Carrying Value of Goodwill for Detection business	**£625m**	£630m

Our assessment of risk vs FY2023

←→ We have not identified any significant changes to our assessment of the level of risk relating to Recoverability of Goodwill for Detection business compared to FY2023

Our results

FY2024: Acceptable
FY2023: Acceptable

Description of the Key Audit Matter

Forecast-based assessment

The Group holds a significant amount of goodwill, especially in relation to the Smiths Detection cash generating unit (CGU). The value in use calculation for the CGU, which represents the estimated recoverable amount, is subjective due to the inherent uncertainty involved in forecasting and discounting estimated future cash flows (specifically the key assumptions –discount rate, earnings before interest and tax and 5 year revenue growth). The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the Smiths Detection CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Benchmarking assumptions and historical comparison: Assessing and challenging the key assumptions through retrospective review and comparison to external industry forecasts.

Our Valuation expertise: Using our valuations specialists to challenge the appropriateness of discount rates by deriving our own independent range and using external market data to challenge the Group's assumption of 5-year revenue growth rates and EBIT margin.

Comparing valuations: Using our valuation specialist, we developed an independent calculation of the CGU's value in use. In doing so, we considered relevance and reliability of expected enterprise valuations per analyst reports and comparable companies' earnings multiples.

Sensitivity analysis: We performed sensitivity analysis on key assumptions of discount rate, revenue growth rate and earnings before interest and tax.

Assessing transparency: We assessed the Group's disclosures in respect of the judgement and estimates around goodwill recoverability for the Smiths Detection CGU, including disclosures of the sensitivity in the value in use calculations to changes in key assumptions.

Communications with the Smiths Group plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Details of our audit approach and planned audit procedures, including engaging our valuation specialist team to test discount rate assumption and compare the revenue growth in the impairment model to external market data.
- Our conclusion on the overall assessment of the assumptions underlying the impairment model.
- Assessment of the adequacy of the disclosures in the financial statements in respect of the sensitivity of the recoverable amount of the goodwill to changes in key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement

- Assessing whether the estimates used by management of the cumulative average revenue growth rate and EBIT margin projections over the forecast period are acceptable

Our results

We found the Group's conclusion that there is no impairment of goodwill to be acceptable (FY2023 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 89 for details on how the Audit Committee considered the recoverability of goodwill for Detection business as an area of significant attention, page 145 for the accounting policy on Key Audit Matter Area, and page 168 note 11 for the financial disclosures.

4.2 Estimation of litigation provisions for asbestos in John Crane, Inc. (Group)

Financial Statement Elements

	FY2024	FY2023
Estimation of litigation provisions for John Crane, Inc. ('JCI') asbestos	**£220m**	£204m

Our assessment of risk vs FY2023

↔ We have not identified any significant changes to our assessment of the level of risk relating to Estimation of litigation provisions for asbestos in John Crane, Inc. compared to FY2023

Our results

FY2024: Acceptable
FY2023: Acceptable

Description of the Key Audit Matter

Subjective estimate

There are significant judgements and estimates involved in the assumptions underlying the provision in respect of JCI asbestos litigation, including the period over which potential claims are projected to be made, the forecast number of future claims and associated claim defence costs and complex estimation methodology.

The effect of these matters is that, as part of our risk assessment, we determined that the asbestos litigation provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Our actuarial expertise: Assessing the appropriateness of the ten-year projection period used by management in estimating the litigation provision using our own actuarial specialist and our sector knowledge and expertise.

Benchmarking assumptions: Using our own actuarial specialists, we derived our own independent range of the estimated provision and assessed whether the provision calculated by management falls within this range.

Enquiry of lawyers: Obtaining external independent legal confirmations of historical and ongoing claims data used by the Group's management expert for estimating the future projected cost and claims.

Assessment of Group's management expert: Assessing the competency, knowledge and independence of the expert using our own specialist.

Assessing methodology: We evaluated the methodology applied by management to determine the provision to assess whether it is in line with applicable accounting standards.

Historical comparison: Assessing and challenging the projected indemnity and defence expenditure through retrospective review of incurred cost.

Assessing transparency: Assessing whether the disclosures of the effect of reasonably possible changes in key judgements and assumptions reflects the risks inherent in the provisions' estimation.

Communications with the Smiths Group plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Details of our audit approach and planned audit procedures, including engaging our valuation specialist team to assess the provision recognised in the year.
- Our conclusion on the overall assessment of the assumptions supporting the litigation provision.
- Assessment of the adequacy of the disclosures in the financial statements in respect of the sensitivity of the provision to changes in key assumptions.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Appropriateness of the ten-year projection period used by management in estimating the litigation provision; and
- The range of possible outcomes for the litigation provision taking into account court judgements from past claims.

Our results

We found the level of litigation provisioning in respect of John Crane Inc. asbestos litigation to be acceptable (FY2023: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 89 for details on how the Audit and Risk Committee considered the estimation of the litigation provision for John Crane, Inc. ('JCI') asbestos as an area of significant attention, page 141 for the accounting policy on Key Audit Matter Area, and page 184 note 23 for the financial disclosures.

4.3 Valuation of UK defined benefit SIPS pension scheme liabilities (Parent Company)

Financial Statement Elements

	FY2024	FY2023
UK defined benefit SIPS pension scheme liabilities	**£1,307m**	£1,251m

Our assessment of risk vs FY2023

↔ We have not identified any significant changes to our assessment of the level of risk relating to valuation of UK defined benefit SIPS pension scheme liabilities compared to FY2023

Our results

FY2024: Acceptable
FY2023: Acceptable

Description of the Key Audit Matter

Subjective valuation

The Parent Company has material pension plan assets and liabilities, especially in the UK. Small changes in the assumptions used to determine the liabilities, in particular those relating to discount rates, inflation and mortality can have a significant impact on the valuation of the liabilities.

The effect of these matters is that we determined that the valuation of liabilities have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

Benchmarking assumptions: Challenging the key assumptions applied in the calculation of the liability, including the discount rates, inflation rates, mortality and pension increases with the support of our own actuarial specialists by comparing against market data.

Assessing actuary's credentials: Assessing the competence, independence and integrity of management's actuarial expert involved in the valuation of defined benefit pension obligation.

Assessing transparency: Assessing the adequacy of the disclosures in respect of the sensitivity of the obligation to key assumptions.

Communications with the Smiths Group plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our conclusion on the overall assessment of the assumptions and key judgements supporting the estimation of the defined benefit obligation.
- Assessment of the adequacy of the disclosures in respect of the pension scheme liabilities (including risks, assumptions and sources of estimation uncertainty).

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Assessment of the assumptions supporting the defined benefit obligation.

Our results

We found the valuation of the UK defined benefit SIPS pension scheme liabilities to be acceptable (FY2023: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 89 for details on how the Audit and Risk Committee considered the valuation of UK defined benefit SIPS pension scheme liabilities as an area of significant attention, page 145 for the accounting policy on Key Audit Matter Area, and page 159 note 8 for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: – Enquiring of Directors, the Audit & Risk Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud. – Reading Board, Audit & Risk, Disclosure, Transactions, Nomination & Governance, Remuneration & People, Finance Committee minutes. – Considering remuneration incentive schemes and performance targets for management and Directors including the organic revenue growth targets and EPS target for the Directors' long term incentive plan. – Using analytical procedures to identify any unusual or unexpected relationships.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope, specified risk-focused audit procedures and audit of specific account balances scope component audit teams of relevant fraud risks identified at the Group level and requesting the full scope, specified risk-focused audit procedures and audit account balance scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.
Fraud risks	As required by auditing standards and taking into account possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular in the Smiths Detection Inc, USA and Smiths Detection Germany GmbH components. Within these components a significant portion of multi-year contracts revenue (programme revenue) is normally recognised in the last month of the year. Therefore, there is a risk of revenue being overstated during the year end closing period through the manipulation of the timing of recording the revenue. We did not identify any additional fraud risks.
Procedures to address fraud risks	We performed procedures including: – Identifying journal entries to test for all components within full scope and audit of specific account balances scope based on risk criteria and comparing the identified entries to supporting documentation. These included unusual entries in revenue accounts, cash and cash equivalents or borrowings accounts and entries posted by senior finance management. – Testing consolidation adjustment entries posted and comparing the identified entries to supporting documentation. – Specified procedures completed by relevant component teams over period end revenue recognition. These procedures included tests over pre-year end and post year end revenue transactions.

Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope, specified risk-focused audit procedures and audit of account balances component audit teams of relevant laws and regulations identified at the Group level, and a request for all in-scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.

Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, considering dealings with government officials, employment law, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£21m (FY2023: £18m) Materiality for the Group financial statements as a whole

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £21m (FY2023: £18m). This was determined with reference to a benchmark of Group normalised profit before tax and continuing operations (PBTCO).

Consistent with FY2023, we determined that Group normalised PBTCO remains the main benchmark for the Group.

We normalised PBTCO for the following items because they do not represent the normal, continuing operations of the Group. In making the adjustments for the current year, we have added back retirement benefit obligation for past service equalisation costs of £4m (note 8 of the financial statements) and loss on disposal of financial asset and its related fair value loss of contingent consideration of £22m (note 3 of the financial statements). (FY2023: PBTCO was normalised to exclude the net credit of £4m due to the retirement benefit obligation past service equalisation costs and added back restructuring costs of £36m). As such, we based our Group materiality on Group normalised PBTCO (FY2023: PBTCO) of £398m (FY2023: £392m).

Our Group materiality of £21m was determined by applying a percentage to the normalised PBTCO. When using a benchmark of normalised PBTCO to determine overall materiality, KPMG's approach for listed entities considers a guideline range 3%-5% of the measure. In setting overall Group materiality at planning, we determined materiality using the forecast PBTCO. This represents 5.3%(FY2023: 4.6%) of the final Group normalised PBTCO value. We considered the materiality amount for the financial statements as a whole and concluded that it remained appropriate.

Materiality for the Parent Company financial statements as a whole was set at £20.8m (FY2023: £17.8m), determined with reference to a benchmark of Parent Company total assets, limited to be less than materiality for Group materiality as a whole of which it represents 0.7% (FY2023: 0.3%).

£15.7m (FY2023: £11.7m) Performance materiality	**What we mean** Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (FY2023: 65%) of materiality for Smiths Group plc Group financial statements as a whole to be appropriate.	The Parent Company performance materiality was set at £15.6m (FY2023: £11.5m), which equates to 75% (FY2023: 65%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£1m (FY2023: £0.89m audit misstatement posting threshold	**What we mean** This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Smiths Group plc's Audit Committee.	**Basis for determining the audit misstatement posting threshold and judgements applied** We set our audit misstatement posting threshold at 5% (FY2023: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £21m (FY2023: £18m) compares as follows to the main financial statement caption amounts:

	Total Group Revenue		Group PBTCO		Total Group Assets	
	FY2024	FY2023	**FY2024**	FY2023	**FY2024**	FY2023 (as previously reported)
Financial statement Caption	**£3,132m**	£3,037m	**£372m**	£360m	**£4,232m**	£4,355m
Group Materiality as % of caption	**0.7%**	0.6%	**5.6%**	5.0%	**0.5%**	0.4%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group operates in more than 50 countries across six continents with the largest footprints being in the US, Europe and Asia. The Group is organised into four businesses: John Crane, Smiths Detection, Flex-Tek and Smiths Interconnect, and is a consolidation of over 200 reporting components. We scoped the audit by obtaining an understanding of the Group and its environment and assessing the risk of material misstatement at the Group level. We have considered components based on their contribution to Group revenue; Group assets and Group profit before tax as well as whether we had sufficient coverage over each business and the specific risks in the components.

Of the Group's 222 (FY2023: 208) reporting components, we subjected 8 (FY2023: 7) to full scope audits for Group purposes, 3 components (FY2023: 3) to specified risk focused audit procedures and 7 components (FY2023: 7) to audit of account balances. The component materiality for all components ranged from £1.2m to £20.8m (FY2023: £1.1m to £17.8m). Please see table below for a summary:

Scope	Number of components	Range of materiality applied	Group revenue	Group Profit Before Tax	Group Total Assets
Full scope audit	8	£20.8m – £1.8m	56% (FY2023: 56%)	54% (FY2023: 62%)	80% (FY2023: 80%)
Audit of one or more account balances	7	£3.5m – £1.2m	13% (FY2023: 13%)	17% (FY2023: 12%)	3% (FY2023: 4%)
Specified risk focused audit procedures	3	£3.5m – £1.8m	– (FY2023: 1%)	–	5% (FY2023: 3%)
Remaining components	204		31% (FY2023: 30%)	29% (FY2023: 26%)	12% (FY2023: 13%)

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

The components for which we performed audit of specific account balances were not individually financially significant enough to require a full scope audit for Group purposes but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results. The audit of account balance has been completed for revenue, trade receivables and cash and cash equivalents accounts.

The components for which we performed specified risk-focused audit procedures were not individually financially significant enough to require an audit for Group reporting purposes but did present specific individual risks that needed to be addressed. Specified risk-focused audit procedures were performed over a number of areas, including litigation provisions and defined benefit pension assets and liabilities.

The remaining 31% (FY2023: 30%) of total Group revenue, 29% (FY2023: 26%) of Group profit before tax and 12% (FY2023: 13%) of total Group assets is represented by 204 (FY2023: 191) reporting components, none of which individually represented more than 9% (FY2023: 10%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 15 of the 18 components (FY2023: 14 of the 17 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

For those items excluded from normalised PBTCO, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items.

The Group audit team has also performed audit procedures on the following areas on behalf of the components:

- Intercompany balances and transactions
- Data and analytics
  - i. Revenue data and analytics routines
  - ii. Journal entry analysis
- IT Audit involvement over:
  - i. Understanding of information technology environment
  - ii. Test of design and implementation over general IT controls
  - iii. Test of design and implementation over automated controls
- Control environment, risk assessment, monitoring and information and communication components of internal control over financial reporting
- Review of transfer pricing arrangements across the Group

These items were audited by the Group team because of the centralised nature of the data processing activities within the Group. The Group team communicated the results of these procedures to the component teams.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group audit team oversight	**What we mean** The extent of the Group audit team's involvement in component audits. In working with component auditors, we: – Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components. – Issued Group audit instructions to component auditors on the scope of their work. – Held risk assessment update discussions with all component audit teams before the commencement of the final phases of the audit led by the Group engagement partner.	– Visited 7 (FY2023: 6) components in-person as the audit progressed to understand and challenge the audit approach and organised 4 video conferences with the partners and directors of the Group and component audit teams. At these visits and/ meetings/ and video conferences, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams. The Group team also attended the audit close meetings for all component teams. – Inspected component audit teams' key work papers in person or using remote technology capabilities to evaluate the quality of execution of the audits of the components.

8. Other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Other matters on which we are required to report by exception

Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 120, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Barradell
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL

23 September 2024

Consolidated income statement

	Notes	Year ended 31 July 2024 Headline £m	Year ended 31 July 2024 Non-headline (note 3) £m	Year ended 31 July 2024 Total £m	Year ended 31 July 2023 Headline £m	Year ended 31 July 2023 Non-headline (note 3) £m	Year ended 31 July 2023 Total £m
CONTINUING OPERATIONS							
Revenue	1	3,132	–	3,132	3,037	–	3,037
Operating costs	2	(2,606)	(111)	(2,717)	(2,536)	(98)	(2,634)
Operating profit/(loss)	2	**526**	**(111)**	**415**	**501**	**(98)**	**403**
Interest income	4	26	–	26	36	–	36
Interest expense	4	(64)	–	(64)	(71)	(7)	(78)
Other financing (losses)/gains	4	–	(11)	(11)	–	(8)	(8)
Other finance income – retirement benefits	4	–	6	6	–	7	7
Finance (costs)/income	4	(38)	(5)	(43)	(35)	(8)	(43)
Profit/(loss) before taxation		**488**	**(116)**	**372**	**466**	**(106)**	**360**
Taxation	6	(122)	1	(121)	(121)	(13)	(134)
Profit/(loss) for the year		**366**	**(115)**	**251**	**345**	**(119)**	**226**
DISCONTINUED OPERATIONS							
Profit from discontinued operations	3	–	–	–	–	6	6
PROFIT/(LOSS) FOR THE YEAR		**366**	**(115)**	**251**	**345**	**(113)**	**232**
Profit/(loss) for the year attributable to:							
Smiths Group shareholders – continuing operations		365	(115)	250	344	(119)	225
Smiths Group shareholders – discontinued operations		–	–	–	–	6	6
Non-controlling interests		1	–	1	1	–	1
		366	**(115)**	**251**	**345**	**(113)**	**232**
EARNINGS PER SHARE	5						
Basic				72.3p			65.5p
Basic – continuing				72.3p			63.8p
Diluted				72.0p			65.1p
Diluted – continuing				72.0p			63.4p

References in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash-flow statement relate to notes on pages 149 to 194, which form an integral part of the consolidated accounts.

Consolidated statement of comprehensive income

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
PROFIT FOR THE YEAR		**251**	**232**
Other comprehensive income (OCI)			
OCI which will not be reclassified to the income statement:			
Re-measurement of retirement benefit assets and obligations	8	(66)	(114)
Taxation on post-retirement benefit movements	6	17	32
Fair value movements on financial assets at fair value through OCI	14	(105)	(18)
		(154)	(100)
OCI which will be reclassified and reclassifications:			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		4	12
– reclassified to income statement on cash-flow and net investment hedges		–	2
		4	14
Foreign exchange (FX) movements:			
Exchange (losses)/gains on translation of foreign operations		(33)	(101)
Total other comprehensive income, net of taxation		**(183)**	**(187)**
TOTAL COMPREHENSIVE INCOME		**68**	**45**
Attributable to:			
Smiths Group shareholders		68	46
Non-controlling interests		–	(1)
		68	**45**
Total comprehensive income attributable to Smiths Group shareholders arising from:			
Continuing operations		68	39
Discontinued operations		–	6
		68	**45**

Consolidated balance sheet

	Notes	31 July 2024 £m	31 July 2023 (restated) * £m
NON-CURRENT ASSETS			
Intangible assets	10	1,521	1,521
Property, plant and equipment	12	270	247
Right of use assets	13	110	105
Financial assets – other investments	14	53	371
Retirement benefit assets	8	132	195
Deferred tax assets	6	94	121
Trade and other receivables	16	96	75
		2,276	**2,635**
CURRENT ASSETS			
Inventories	15	643	637
Current tax receivable	6	24	47
Trade and other receivables	16	826	772
Cash and cash equivalents	18	459	285
Financial derivatives	20	4	5
		1,956	**1,746**
TOTAL ASSETS		**4,232**	**4,381**
CURRENT LIABILITIES			
Financial liabilities:			
– borrowings	18	(2)	(3)
– lease liabilities	18	(32)	(26)
– financial derivatives	20	(4)	(2)
Provisions	23	(75)	(70)
Trade and other payables	17	(764)	(723)
Current tax payable	6	(70)	(74)
		(947)	**(898)**
NON-CURRENT LIABILITIES			
Financial liabilities:			
– borrowings	18	(534)	(534)
– lease liabilities	18	(91)	(91)
– financial derivatives	20	(13)	(18)
Provisions	23	(219)	(216)
Retirement benefit obligations	8	(103)	(106)
Corporation tax payable	6	–	(3)
Deferred tax liabilities	6	(32)	(69)
Trade and other payables	17	(41)	(40)
		(1,033)	**(1,077)**
TOTAL LIABILITIES		**(1,980)**	**(1,975)**
NET ASSETS		**2,252**	**2,406**

	Notes	31 July 2024 £m	31 July 2023 (restated) * £m
SHAREHOLDERS' EQUITY			
Share capital	24	130	131
Share premium account		365	365
Capital redemption reserve	26	25	24
Merger reserve	26	235	235
Cumulative translation adjustments		353	386
Retained earnings		1,306	1,431
Hedge reserve	26	(184)	(188)
TOTAL SHAREHOLDER'S EQUITY		**2,230**	**2,384**
Non-controlling interest equity	26	22	22
TOTAL EQUITY		**2,252**	**2,406**

* The comparatives have been restated after adoption of the amendment to IAS12 'Income Taxes', please see page 148 and note 6 for further information.

The accounts on pages 135 to 194 were approved by the Board of Directors on 23 September 2024 and were signed on its behalf by:

Roland Carter
Chief Executive Officer

Clare Scherrer
Chief Financial Officer

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 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**

	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 2022		**501**	**254**	**487**	**1,659**	**(202)**	**2,699**	**22**	**2,721**
Profit for the year		–	–	–	231	–	231	1	232
Other comprehensive income:									
– re-measurement of retirement benefits after tax		–	–	–	(82)	–	(82)	–	(82)
– FX movements net of recycling		–	–	(101)	2	–	(99)	(2)	(101)
– fair value gains and related tax		–	–	–	(18)	14	(4)	–	(4)
Total comprehensive income for the year		**–**	**–**	**(101)**	**133**	**14**	**46**	**(1)**	**45**
Transactions relating to ownership interests:									
Purchase of shares by Employee Benefit Trust		–	–	–	(24)	–	(24)	–	(24)
Share buybacks	24	(5)	5	–	(207)	–	(207)	–	(207)
Receipt of capital from non-controlling interest		–	–	–	–	–	–	1	1
Dividends:									
– equity shareholders	25	–	–	–	(143)	–	(143)	–	(143)
Share-based payment	9	–	–	–	13	–	13	–	13
At 31 July 2023		**496**	**259**	**386**	**1,431**	**(188)**	**2,384**	**22**	**2,406**

Consolidated cash-flow statement

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Net cash inflow from operating activities	28	**418**	**293**
CASH-FLOWS FROM INVESTING ACTIVITIES			
Expenditure on capitalised development		(14)	(21)
Expenditure on other intangible assets		(4)	(7)
Purchases of property, plant and equipment		(68)	(53)
Disposals of property, plant and equipment		–	2
Income from / (Investment in) financial assets		190	–
Acquisition of businesses		(65)	(22)
(Payments)/proceeds on disposal of subsidiaries, net of cash disposed		–	(7)
Net cash-flow used in investing activities		**39**	**(108)**
CASH-FLOWS FROM FINANCING ACTIVITIES			
Share buybacks	24	(70)	(207)
Purchase of shares by Employee Benefit Trust	26	(20)	(24)
Proceeds received on exercise of employee share options		4	–
Settlement of cash-settled options		(2)	–
Dividends paid to equity shareholders	25	(147)	(143)
Receipt of capital from non-controlling interest		–	1
Lease payments		(39)	(36)
Reduction and repayment of borrowings		–	(527)
Cash (outflow)/inflow from matured derivative financial instruments		5	(9)
Net cash-flow used in financing activities		**(269)**	**(945)**
Net (decrease)/increase in cash and cash equivalents		**188**	**(760)**
Cash and cash equivalents at beginning of year		285	1,055
Foreign exchange rate movements		(14)	(10)
Cash and cash equivalents at end of year	18	**459**	**285**
Cash and cash equivalents at end of year comprise:			
– cash at bank and in hand		123	175
– short-term deposits		336	110
		459	**285**

Basis of preparation

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

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

Going concern

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

This assessment is consistent with the conclusions of the Group's 'Going concern and viability statement' on pages 68 to 70, 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 2029. 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 therefore been prepared on a going concern basis.

These financial statements cover the financial year from 1 August 2023 to 31 July 2024 (FY2024) with comparative figures from 1 August 2022 to 31 July 2023 (FY2023).

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

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 £220m (FY2023: £204m) 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 £44m (FY2023: £46m), 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

On the acquisition of a business, the Group has to make judgements on the identification of specific intangible assets which are recognised separately from goodwill and then amortised over their estimated useful lives. These include items such as brand names and customer lists, to which value is first attributed at the time of acquisition. The capitalisation of these assets and the related amortisation charges are based on judgements about the value and economic life of such items.

Where acquisitions are significant, appropriate advice is sought from professional advisers before making such allocations.

Retirement benefits

At 31 July 2024 the Group has recognised £132m of retirement benefit assets (FY2023: £195m) and a net pension asset of £29m (FY2023: £89m), 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 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 29 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, restructuring costs 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 2024, the Group held contracts with a total value of £195m (2023: £109m), of which £131m (2023: £83m) had been delivered and £64m (2023: £26m) remains fully or partially unsatisfied. £39m 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 £9m (2023: £4m).

Significant accounting policies

Basis of consolidation

The Group's consolidated accounts include the financial statements of Smiths Group plc (the 'Company') and all entities controlled by the Company (its subsidiaries). A list of the subsidiaries of Smiths Group plc is provided on pages 210 to 216.

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 of the outcomes 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 the shares or share options granted is recognised as an expense over the 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 options 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.

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; 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 2024

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the previous financial year, except for the adoption of the following amendment to IAS 12 'Income Taxes' that is applicable for the year ended 31 July 2024.

The International Accounting Standards Board (IASB) issued amendments to IAS 12, which narrow the scope of the initial recognition exemption (IRE). These amendments clarify that the IRE does not apply to transactions that give rise to equal and offsetting temporary differences, such as leased buildings.

As a result of the amendments, we now recognise deferred tax assets and liabilities for temporary differences arising on the initial recognition of all leased buildings.

The amendments are applied retrospectively and comparative figures for the previous period have been restated to conform with the current period's presentation. The adoption of the amendments to IAS 12 have resulted in a £26m increase to both the deferred tax assets and the deferred tax liabilities balances on the 31 July 2023 comparative balance sheet, with no impact on profit or net assets.

New standards and interpretations not yet adopted

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

Parent Company

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

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

The Company accounts are presented in separate financial statements on pages 202 to 209. The principal subsidiaries of the Parent Company are listed in the above accounts.

1. Segment information

Analysis by operating segment

The Group is organised into four major business segments: John Crane; Smiths Detection; Flex-Tek; 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;
- **Smiths Detection** – sensors and systems that detect and identify explosives, narcotics, weapons, chemical agents, biohazards and contraband;
- **Flex-Tek** – engineered components, flexible hosing and rigid tubing that heat and move fluids and gases; 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 29 for an explanation of which items are excluded from headline measures.

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

Segment trading performance

Year ended 31 July 2024

	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate costs £m	Total £m
Revenue	1,133	859	786	354	–	3,132
Segmental headline operating profit	263	102	161	49	–	575
Corporate headline operating costs	–	–	–	–	(49)	(49)
Headline operating profit/(loss)	**263**	**102**	**161**	**49**	**(49)**	**526**
Items excluded from headline measures (note 3)	(34)	(19)	(26)	(3)	(29)	(111)
Operating profit/(loss)	**229**	**83**	**135**	**46**	**(78)**	**415**
Headline operating margin	23.2%	11.9%	20.5%	13.9%		16.8%

Year ended 31 July 2023

	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate costs £m	Total £m
Revenue	1,079	803	768	387	–	3,037
Segmental headline operating profit	244	90	149	62	–	545
Corporate headline operating costs	–	–	–	–	(44)	(44)
Headline operating profit/(loss)	**244**	**90**	**149**	**62**	**(44)**	**501**
Items excluded from headline measures (note 3)	(27)	(35)	(18)	(12)	(6)	(98)
Operating profit/(loss)	**217**	**55**	**131**	**50**	**(50)**	**403**
Headline operating margin	22.6%	11.2%	19.4%	16.0%		16.5%

Operating profit is stated after charging (crediting) the following items:

Year ended 31 July 2024

	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	17	11	8	9	–	**45**
Depreciation – right of use assets	15	8	3	7	1	**34**
Amortisation of capitalised development costs	–	2	–	–	–	**2**
Amortisation of software, patents and intellectual property	1	1	2	–	1	**5**
Amortisation of acquired intangibles	–	–	–	–	49	**49**
Share-based payment	3	2	2	2	5	**14**

	Year ended 31 July 2023					
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Depreciation – property, plant and equipment	17	10	8	6	1	**42**
Depreciation – right of use assets	15	7	6	3	1	**32**
Amortisation of capitalised development costs	–	2	–	–	–	**2**
Amortisation of software, patents and intellectual property	3	1	–	2	1	**7**
Amortisation of acquired intangibles	–	–	–	–	52	**52**
Share-based payment	3	1	2	2	6	**14**
Transition services cost reimbursement	–	–	–	–	(10)	**(10)**

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 2024					
	John Crane £m	**Smiths Detection £m**	**Flex-Tek £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	153	103	65	61	550
Inventory, trade and other receivables	528	612	254	153	18	1,565
Segment assets	**696**	**765**	**357**	**218**	**79**	**2,115**

	31 July 2023					
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Property, plant, equipment, right of use assets, development projects, other intangibles and investments	162	142	84	66	375	829
Inventory, trade and other receivables	489	599	226	160	10	1,484
Segment assets	**651**	**741**	**310**	**226**	**385**	**2,313**

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

Segment liabilities

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

	31 July 2023					
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Segmental liabilities	200	357	91	62	–	710
Corporate and non-headline liabilities	–	–	–	–	339	339
Segment liabilities	**200**	**357**	**91**	**62**	**339**	**1,049**

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

Reconciliation of segment assets and liabilities to statutory assets and liabilities

	Assets		Liabilities	
	31 July 2024 £m	31 July 2023 (restated) £m	**31 July 2024 £m**	31 July 2023 (restated) £m
Segment assets and liabilities	**2,115**	**2,313**	**(1,099)**	**(1,049)**
Goodwill and acquired intangibles	1,404	1,415	–	–
Derivatives	4	5	(17)	(20)
Current and deferred tax	118	168	(102)	(146)
Retirement benefit assets and obligations	132	195	(103)	(106)
Cash and borrowings	459	285	(659)	(654)
Statutory assets and liabilities	**4,232**	**4,381**	**(1,980)**	**(1,975)**

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	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Capital expenditure year ended 31 July 2024	34	28	10	11	3	**86**
Capital expenditure year ended 31 July 2023	19	36	10	16	–	**81**

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 (FY2023: £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 29 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 2024

	John Crane £m	**Smiths Detection £m**	**Flex-Tek £m**	**Smiths Interconnect £m**	**Total £m**
Average segmental capital employed	1,035	1,124	606	472	**3,237**
Average corporate capital employed					**(31)**
Average total capital employed – continuing operations					**3,206**

31 July 2023

	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Total £m
Average segmental capital employed	1,022	1,154	570	466	**3,212**
Average corporate capital employed					**(16)**
Average total capital employed – continuing operations					**3,196**

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 2024	321	812	**1,133**
Revenue year ended 31 July 2023	314	765	**1,079**

Smiths Detection	Aviation £m	Other security systems £m	Total £m
Revenue year ended 31 July 2024	595	264	**859**
Revenue year ended 31 July 2023	535	268	**803**

Flex-Tek	Aerospace £m	Industrials £m	Total £m
Revenue year ended 31 July 2024	154	632	**786**
Revenue year ended 31 July 2023	144	624	**768**

Smiths Interconnect	Components, connectors & subsystems £m
Revenue year ended 31 July 2024	**354**
Revenue year ended 31 July 2023	**387**

Aftermarket sales contributed £1,587m (FY2023: £1,545m) of Group revenue: John Crane aftermarket sales were £812m (FY2023: £765m); Smiths Detection aftermarket sales were £443m (FY2023: £413m); Flex-Tek aftermarket sales were £332m (FY2023: £367m); and Smiths Interconnect aftermarket sales were £nil (FY2023: £nil).

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 2024	407	–	726	–	**1,133**
Revenue year ended 31 July 2023	423	–	656	–	**1,079**
Smiths Detection revenue					
Revenue year ended 31 July 2024	–	859	–	–	**859**
Revenue year ended 31 July 2023	–	803	–	–	**803**
Flex-Tek revenue					
Revenue year ended 31 July 2024	632	–	–	154	**786**
Revenue year ended 31 July 2023	624	–	–	144	**768**
Smiths Interconnect revenue					
Revenue year ended 31 July 2024*	166	–	–	188	**354**
Revenue year ended 31 July 2023	190	141	–	56	**387**
Total revenue					
Revenue year ended 31 July 2024*	1,205	859	726	342	**3,132**
Revenue year ended 31 July 2023	1,237	944	656	200	**3,037**

* Following a review of the Smiths Interconnect segmental revenue reporting, the Group has reanalysed this segment's revenue by key global market. The driver of this reanalysis is to better align Smiths Interconnect's reporting with how the business is run and the revenue reporting of Smiths Interconnect's peer group.

The updated revenue analysis has been applied prospectively for FY2024. The Aerospace key global market has been renamed Aerospace & Defence and £143m of revenue that would have previously been reported as Safety & Security revenue is now reported as Aerospace & Defence revenue.

The Group's statutory revenue is analysed as follows:

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Sale of goods recognised at a point in time	2,275	2,244
Sale of goods recognised over time	45	36
Services recognised over time	812	757
	3,132	**3,037**

Analysis by geographical areas

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

	Revenue		Intangible assets, right of use assets and property, plant and equipment	
	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	31 July 2024 £m	31 July 2023 £m
Americas	1,694	1,641	1,046	1,254
Europe	622	563	461	519
Asia Pacific	475	493	14	71
Rest of World	341	340	–	29
	3,132	**3,037**	**1,521**	**1,873**

Revenue by destination attributable to the United Kingdom was £128m (FY2023: £87m). Other revenue found to be significant included, the United States of America, totalling £1,411m (FY2023: £1,383m), China (excluding Hong Kong) £144m (FY2023: £150m) and Germany £130m (FY2023: £143m). 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 £113m (FY2023: £123m). Significant non-current assets held in the United States of America £1.024m (FY2023: £1,181m) and Germany £330m (FY2023: £345m).

2. Operating costs

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

	Year ended 31 July 2024			Year ended 31 July 2023		
	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	1,964	–	1,964	1,919	–	1,919
Selling costs	219	–	219	221	–	221
Administrative expenses	425	111	536	406	98	504
Research and development tax credits	(2)	–	(2)	–	–	–
Transition services cost reimbursement	–	–	–	(10)	–	(10)
Total	**2,606**	**111**	**2,717**	**2,536**	**98**	**2,634**

Operating profit is stated after charging (crediting):

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Research and development expense	73	73
Depreciation of property, plant and equipment	45	42
Depreciation of right of use assets	34	32
Amortisation of intangible assets	56	61
Transition services cost reimbursement	–	(10)

Research and development (R&D) cash costs were £109m (FY2023: £113m) comprising £73m (FY2023: £73m) of R&D expensed to the income statement, £14m (FY2023: £21m) of capitalised costs and £22m (FY2023: £19m) of customer-funded R&D.

Administrative expenses include £1m (FY2023: £2m) 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 2024.

	Year ended 31 July 2024 £m	Year ended 31 July 2023 (represented) £m
Audit services		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	2.8	2.7
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries	3.6	5.5
	6.4	**8.2**
All other services	0.5	0.5

Other services comprise audit-related assurance services of £0.5m (FY2023: £0.5m).

Audit-related assurance services include the review of the Interim Report and the limited assurance of the Group's Scope 1-3 Greenhouse Gas emissions metrics. Total fees for non-audit services comprise 8% (FY2023: 6%) of audit fees.

In the current year, the Group has agreed £0.1m of additional fees with the Group auditors relating to the audit of the prior year financial statements.

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 2024 £m	Year ended 31 July 2023 £m
Acquisition and disposal related costs			
Post-acquisition integration costs and fair value adjustment unwind		(3)	–
Fair value loss on contingent consideration		(13)	(6)
Loss on disposal of financial asset		(9)	–
Business acquisition/disposal costs and related expenses		(5)	(1)
Legacy pension scheme arrangements			
Past service costs for benefit equalisation	8	(4)	4
Scheme administration costs	8	(6)	(2)
Retirement benefit scheme settlement loss	8	–	(1)
Non-headline litigation provision movements			
Movement in provision held against Titeflex Corporation subrogation claims	23	5	7
Provision for John Crane, Inc. asbestos litigation	23	(29)	(16)
Cost recovery for John Crane, Inc. asbestos litigation		3	7
Other items			
Amortisation of acquired intangible assets	10	(49)	(52)
Funding of charitable foundation		(1)	–
Restructuring costs		–	(36)
Irrecoverable VAT on chain export transaction		–	(2)
Non-headline items in operating profit – continuing operations		**(111)**	**(98)**

Acquisition and disposal related costs

The £3m (FY2023: £nil) of post-acquisition integration costs and fair value adjustment unwind principally relate to Flex-Tek's acquisitions of HCP and Burns Machine. These include £2m of defined project costs for the integration of these businesses into the existing Flex-Tek business and a £1m expense for the 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 £13m fair value loss (FY2023: £6m loss) on contingent consideration represents the full write down of the remaining fair value of the Group's contingent consideration from the sale of Smiths Medical to ICU Medical, Inc. (ICU). Since FY2022 the Group has held a financial asset for 10% of the equity in ICU and a financial asset for the fair value of US$100m additional consideration contingent on the future share performance of ICU. During FY2024 the Group has sold 2,030,000 shares in ICU reducing Smiths' equity investment in ICU to approximately 1.9% of ICU's issued share capital. The Group's reduced investment in ICU has resulted in the contingent consideration no longer being payable. This is considered to be a non-headline item on the basis that these fair value charges do not relate to trading activity.

The £9m loss (FY2023: £nil) on disposal of financial asset relates to the block sale discount on the disposal of 2,030,000 ICU shares. This is considered a non-headline charge as it did not relate to trading activity.

The £5m (FY2023: £1m) of business acquisition/disposal costs and related expenses represent incremental costs related to the Group's Mergers & Acquisitions (M&A) 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 M&A activity being undertaken and do not relate to trading activity.

Legacy pension scheme arrangements

The £4m charge (FY2023: £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, see note 8 for further details. These past service (costs)/credits are reported as non-headline as they are non-recurring and relate to legacy pension liabilities.

Scheme administration costs of £6m (FY2023: £2m) relate to the TIGPS legacy pension scheme and SIPS 'path to buy-in' costs. As the Group has no expectation of 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.

Non-headline litigation provision movements

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

- The £5m credit (FY2023: £7m 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 £29m charge (FY2023: £16m) in respect of John Crane, Inc. asbestos litigation is driven primarily by adverse judgements impacting the future expected indemnity costs. See note 23 for further details; and
- In FY2024 £3m (FY2023: £7m) of asbestos litigation costs were recovered by John Crane, Inc. via insurer settlements.

Other items

Acquisition related intangible asset amortisation costs of £49m (FY2023: £52m) 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 FY2024 funding of the Smiths Group Foundation, 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 2024 £m	Year ended 31 July 2023 £m
Unwind of discount on provisions	23	(9)	(7)
Other finance income – retirement benefits	8	6	7
Interest payable on overdue VAT		–	(7)
Other sundry financing losses		(2)	(1)
Non-headline items in finance costs – continuing operations		**(5)**	**(8)**
Continuing operations – non-headline loss before taxation		**(116)**	**(106)**

The financing elements of non-headline legacy liabilities, including the £9m (FY2023: £7m) 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 £6m (FY2023: £7m) 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 prior year £7m of interest payable on overdue VAT related to a historic classification error on chain export transactions.

Non-headline taxation (charge)/credit

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

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Tax credit on non-headline loss	6	20	18
Increase in unrecognised UK deferred tax asset	6	(19)	(31)
Non-headline taxation (charge)/credit – continuing operations		1	**(13)**
Continuing operations – non-headline loss for the year		**(115)**	**(119)**

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

In the prior year the Group has recognised an additional £6m gain on transactions related to the sale of Smiths Medical. These items are considered to be non-headline as they relate to discontinued former business activities.

4. Net finance costs

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Interest income		26	36
Interest expense:			
– bank loans and overdrafts, including associated fees		(47)	(50)
– other loans		(12)	(17)
– interest on leases		(5)	(4)
Interest expense		(64)	(71)
Headline net finance costs		**(38)**	**(35)**
Other financing (losses)/gains:			
– valuation movements on fair value hedged debt		5	(9)
– valuation movements on fair value derivatives		(5)	9
– foreign exchange and ineffectiveness on net investment hedges		(2)	(3)
– retranslation of foreign currency bank balances		–	2
– unwind of discount on provisions	3	(9)	(7)
Other financing (losses)/gains		**(11)**	**(8)**
Other non-headline finance cost items:			
Interest expense - interest on overdue VAT		–	(7)
Other finance income - Interest on retirement benefits	8	6	7
Other non-headline finance cost items		6	–
Net finance costs		**(43)**	**(43)**

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 2024 £m	Year ended 31 July 2023 £m
Profit attributable to equity shareholders for the year:		
– continuing	250	225
– discontinued	–	6
Total	**250**	**231**

	Year ended 31 July 2024 Number of shares	Year ended 31 July 2023 Number of shares
Number of shares in issue, net of shares held in Employee Benefit Trust:		
Weighted average number for basic earnings per share	345,901,957	352,891,120
Adjustment for potentially dilutive shares	1,389,223	1,790,699
Weighted average number for diluted earnings per share	**347,291,180**	**354,681,819**

No options (FY2023: nil) were excluded from this calculation because their effect was anti-dilutive.

	Year ended 31 July 2024 pence	Year ended 31 July 2023 pence
Statutory earnings per share total – basic	72.3p	65.5p
Statutory earnings per share total – diluted	72.0p	65.1p
Statutory earnings per share continuing operations – basic	72.3p	63.8p
Statutory earnings per share continuing operations – diluted	72.0p	63.4p

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

	Year ended 31 July 2024			Year ended 31 July 2023		
	£m	Basic EPS (p)	Diluted EPS (p)	£m	Basic EPS (p)	Diluted EPS (p)
Total profit attributable to equity shareholders of the Parent Company	250	72.3p	72.0p	231	65.5	65.1
Exclude: Non-headline items (note 3)	115			113		
Headline earnings per share	**365**	**105.5p**	**105.2p**	**344**	**97.5**	**97.0**
Profit from continuing operations attributable to equity shareholders of the Parent Company	250	72.3p	72.0p	225	63.8	63.4
Exclude: Non-headline items (note 3)	115			119		
Headline earnings per share – continuing operations	**365**	**105.5p**	**105.2p**	**344**	**97.5**	**97.0**

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 2024 £m	Year ended 31 July 2023 £m
The taxation charge in the consolidated income statement for the year comprises:		
Continuing operations		
Current taxation:		
– current income tax charge	114	112
– current tax adjustments in respect of prior periods	1	(7)
Current taxation	**115**	**105**
Deferred taxation	6	29
Total taxation expense – continuing operations	**121**	**134**
Analysed as:		
Headline taxation expense	122	121
Non-headline taxation charge/(credit)	(1)	13
Total taxation expense in the consolidated income statement	**121**	**134**

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Tax on items charged/(credited) to equity		
Deferred tax:		
– retirement benefit schemes	(17)	(32)
Taxation on retirement benefit movements	**(17)**	**(32)**

The £17m credit (FY2023: £32m credit) to equity for retirement benefit schemes principally related to UK retirement schemes.

Current taxation liabilities

	Current tax £m
At 31 July 2022	**(17)**
Charge to income statement	(105)
Tax paid	92
At 31 July 2023	**(30)**
Comprising:	
Current tax receivable	47
Current tax payable within one year	(74)
Corporation tax payable after more than one year	(3)
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)**

Provisions for tax liabilities amount to £44m (FY2023: £46m) 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 £122m (FY2023: £121m) represents an effective rate of 25.0% (FY2023: 26.0%).

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 FY2024 of 25.0% (FY2023: 21.0%). The differences are reconciled as follows:

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Profit before taxation	**372**	**366**
Notional taxation expense at UK corporate rate of 25% (FY2023: 21%)	93	77
Different tax rates on non-UK profits and losses	(4)	13
Non-deductible expenses and other charges	20	24
Tax credits and non-taxable income	(7)	(10)
Non-headline UK deferred tax asset recognition adjustment	19	31
Other adjustments to unrecognised deferred tax	(3)	2
Prior year true-up	3	(3)
Total taxation expense in the consolidated income statement	**121**	**134**
Comprising:		
Taxation on headline profit	122	121
Non-headline taxation items:		
– Tax credit on non-headline loss	(20)	(18)
– UK deferred tax asset recognition adjustment	19	31
Taxation on non-headline items	(1)	13
Total taxation expense in the consolidated income statement	**121**	**134**

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 2022	**(76)**	**(51)**	**103**	**79**	**(4)**	**51**
Reallocations	–	(2)	6	(4)	–	–
Charge to income statement – continuing operations	13	(3)	(32)	(5)	(2)	(29)
Credit to equity	–	32	–	–	–	32
Foreign exchange rate movements	3	(1)	(2)	(4)	2	(2)
At 31 July 2023	**(60)**	**(25)**	**75**	**66**	**(4)**	**52**
IAS 12 amendment - Initial recognition exemption	(26)	–	–	–	26	–
At 31 July 2023 (restated)	**(86)**	**(25)**	**75**	**66**	**22**	**52**
Comprising:						
Deferred tax assets	(2)	(27)	50	60	40	121
Deferred tax liabilities	(84)	2	25	6	(18)	(69)
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)
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**

Of the amounts included within 'Other', shown in the above table, as at 31 July 2024, amounts relating to tax on unremitted earnings were £22 m (FY2023: £19m). 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 2024 amounted to £nil (FY2023: £nil). Deferred tax attributable to provisions includes £54m (FY2023: £51m) relating to John Crane Inc litigation provision, and £9m (FY2023: £9m) relating to Titeflex Corporation. See note 23 for additional information on provisions.

The International Accounting Standards Board issued amendments to IAS 12, which narrow the scope of the initial recognition exemption (IRE). These amendments clarify that the IRE does not apply to transactions that give rise to equal and offsetting temporary differences, such as leases. As a result of the amendments, we now recognise deferred tax assets and liabilities for temporary differences arising on the initial recognition of all leases. The amendments are applied retrospectively, and comparative figures for previous periods have been restated to conform with the current period's presentation.

Losses with unrecognised deferred tax

The Group does not recognise deferred tax on losses of £603m (FY2023: £521m).

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:

	2024 £m	**Expiry of losses**	2023 £m	Expiry of losses
Unrestricted losses – operating losses	603	No expiry	521	No expiry

Losses with deferred tax unrecognised have increased by £82m (FY2023: £186m increase). This is mainly due to an increase in unrecognised UK losses of £63m. This movement is explained by the reduction in the related UK deferred tax asset as offset by the deferred tax liability on the UK pension scheme surplus.

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 will be effective for the Group's financial year beginning 1 August 2024. On 11 July 2023, the UK enacted the BEPS Pillar Two global minimum taxes legislation for accounting periods beginning on or after 1 January 2024 (Year Ended 31 July 2025 for Smiths).

We carried out a Pillar Two impact assessment on 2023 financial data for the constituent entities within Smiths Group. We consider that implementation of qualified domestic minimum top-up taxes and the income inclusion rule in the UK will not have a material impact on the Group's FY2025 ETR.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on future financial performance.

7. Employees

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Staff costs during the period		
Wages and salaries	844	802
Social security	99	92
Share-based payment (note 9)	14	14
Pension costs (including defined contribution schemes) (note 8)	35	31
Total	**992**	**939**

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 2024	Year ended 31 July 2023
John Crane	6,200	6,050
Smiths Detection	3,400	3,250
Flex-Tek	4,050	3,750
Smiths Interconnect	2,600	2,800
Corporate (including central/shared IT services)	300	300
Total	**16,550**	**16,150**

Key management

The key management of the Group comprises Smiths Group plc Board Directors and Executive Committee members. Their aggregate compensation is shown below. Further information for the Executive Directors is available in the single figure remuneration table on page 101. Further information for the Non-executive Directors is available in the single figure remuneration table on page 107.

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Key management compensation		
Salaries and short-term employee benefits	12.6	12.0
Cost of retirement benefits	0.7	0.7
Cost of share-based incentive plans	3.4	4.9

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 2024		Year ended 31 July 2023	
	Number of instruments '000	Weighted average exercise price	Number of instruments '000	Weighted average exercise price
LTIP	1,389		1,580	
SAYE	11	£13.06	16	£11.45

Related party transactions

The only related party transactions in FY2024 were key management compensation (FY2023: 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 £31m (FY2023: £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 2024. 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 2024 £m	Year ended 31 July 2023 £m
At beginning of period	**89**	**194**
Foreign exchange rate movements	1	1
Current service cost	(4)	(2)
Headline scheme administration costs	(3)	(4)
Non-headline scheme administration costs	(6)	(2)
Past service cost, curtailments, settlements – continuing operations	(4)	4
Finance income – retirement benefits	6	7
Contributions by employer	16	5
Actuarial (losses)/gains	(66)	(114)
Net retirement benefit asset	**29**	**89**

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 four 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 20 years (FY2023: 18 years) for active deferred members, 17 years (FY2023: 19 years) for deferred members and 10 years (FY2023: 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 FY2022, an additional liability of £19m was recognised as a past service cost to reflect the expected impact of correcting this issue for certain sections of the scheme. In FY2023, a further liability of £12m was recognised and £16m of liabilities recognised in previous years was released following the identification of additional evidence of the obligation for equalisation, resulting in a net credit to the income statement of £4m. In the current year, a further liability of £3m has been recognised as a past service cost, to reflect the expected impact of correcting this issue for the remaining sections of the scheme of £0.4m, as well as an updated cost estimate for the impact of GMP equalisation of £2.6m. Prior to the current year, additional costs of £29m in FY2019 and £6m FY2021 were recognised in respect of GMP equalisation. Whilst the wider review of scheme data remains on-going, no further liabilities are expected in respect of retirement age equalisation or GMP equalisation.

SIPS uses a Liability Driven Investment (LDI) strategy to hedge against interest and inflation rate changes. During the significant volatility that followed the UK Government's mini budget in September 2022, like most other pension schemes with LDI assets, this hedging policy meant that SIPS asset values fell, as did the value of its obligations, although the funding position quickly recovered. All of SIPS's collateral requirements in respect of the LDI assets were met, with no support required from the Group. The SIPS trustee, in consultation with the Group, has since reduced the leverage in the LDI portfolio, strengthened its ongoing monitoring and shock tests and moved significant non-LDI assets into more liquid alternatives. As a result, the scheme is in a stronger position to withstand any further shocks to gilt yields.

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. The final buy-in has been secured with an intention to fully buy-out the Scheme as soon as reasonably practical and within a period of four years. The FY2022 income statement recognised a settlement loss of £171m in relation to the buy-in.

In terms agreed between the Group and the TIGPS trustee prior to the transaction, when TIGPS converts all of its buy-in policies to buy-out policies and subsequently winds up, the trustee is expected to use any surplus remaining, after the costs of buying-out and winding up the scheme have been met, to improve member benefits. The FY 2022 income statement recognised a past service cost of £24m in relation to the derecognition of the remaining surplus. 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 18 years (FY2023: 20 years) for active deferred members, 16 years (FY2023: 18 years) for deferred members and 9 years (FY2023: 10 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 2024.

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 15 years (FY2023: 15 years) for active deferred members, 14 years (FY2023: 14 years) for deferred members and 9 years (FY2023: 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:

	2024 UK	**2024 US**	**2024 Other**	2023 UK	2023 US	2023 Other
Rate of increase in salaries	n/a	n/a	2.8%	n/a	n/a	2.5%
Rate of increase for active deferred members	4.0%	n/a	n/a	4.0%	n/a	n/a
Rate of increase in pensions in payment	3.3%	n/a	0.5%	3.3%	n/a	1.6%
Rate of increase in deferred pensions	3.3%	n/a	n/a	3.3%	n/a	n/a
Discount rate	5.0%	5.2%	2.8%	5.1%	5.2%	2.8%
Inflation rate	3.3%	n/a	2.1%	3.3%	n/a	0.4%

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

Inflation rate assumptions

The RPI inflation assumption of 3.3% has been derived using the Aon UK Government Gilt Prices Only Curve with an Inflation Risk Premium of 0.1% p.a. (FY2023: 0.2%). The impact of changing the Inflation Risk Premium was to increase the UK liabilities by £16m.

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 0.5% p.a. (FY2023: 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. (FY2023: 0.9%) pre-2030 and 0.1% p.a. post-2030 (FY2023: 0.1%).

Short-term inflation has reduced from its peak in FY2023 following the Bank of England's measures to combat high inflation. Consequently, the long-term inflation assumptions are similar to the prior year. The full impact of high inflation is mitigated to an extent by the caps in place on index-linked increases. The Board considered and declined a request from the Trustee of SIPS to recommend an additional discretionary increase to pensions in payment. However, there is no change in the Group's constructive obligations and allowance for the possibility for certain discretionary increases in future continues to be included in the defined benefit obligations shown below, as well as being included in the Trustee's ongoing approach to funding SIPS. Furthermore, all of the annuity policies that currently back part of the SIPS obligations include allowance for the possibility of these discretionary increases to be paid in future, where applicable.

Discount rate assumptions

The UK schemes use a discount rate based on the annualised yield on the Aon GBP Single Agency Select AA 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 FY2023.

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.

The discount rate assumptions are similar to the prior year.

Mortality assumptions

The mortality assumptions used in the principal UK schemes are based on the latest '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 latest 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 latest 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.

	UK schemes			
Expected further years of life	**Male 31 July 2024**	**Female 31 July 2024**	Male 31 July 2023	Female 31 July 2023
Member who retires next year at age 65	22	24	21	23
Member, currently 45, when they retire in 20 years' time	23	25	20	24

	US schemes			
Expected further years of life	**Male 31 July 2024**	**Female 31 July 2024**	Male 31 July 2023	Female 31 July 2023
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 2024 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 2024 £m	**Increase/ (decrease) in scheme assets 31 July 2024 £m**	**(Increase)/ decrease in scheme liabilities 31 July 2024 £m**	Profit before tax for year ended 31 July 2023 £m	Increase/ (decrease) in scheme assets 31 July 2023 £m	(Increase)/ decrease in scheme liabilities 31 July 2023 £m
Rate of mortality – one year increase in life expectancy	(2)	66	(108)	(2)	60	(88)
Rate of mortality – one year decrease in life expectancy	2	(67)	110	2	(62)	89
Rate of inflation – 0.25% increase	(1)	21	(39)	(1)	23	(43)
Discount rate – 0.25% increase	2	(33)	65	2	(36)	60
Market value of scheme assets – 2.5% increase	2	30	–	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 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**

31 July 2023 – £m	UK schemes	US schemes	Other countries	Total
Cash and cash equivalents	93	1	1	95
Pooled funds:				
– Pooled equity	–	–	3	3
– Pooled Diversified Growth	–	–	13	13
– Pooled credit	320	–	–	320
Corporate bonds	203	141	–	344
Government bonds/LDI	421	44	3	468
Insured liabilities	1,323	–	–	1,323
Property	7	–	–	7
Total market value	**2,367**	**186**	**20**	**2,573**

The UK Government bonds/LDI portfolios contain £691m (FY2023: £717m) of UK Government bonds (gilts), £270m (FY2023: £276m) of gilt repurchase obligations and £5m of interest and inflation swap obligations (FY2023: £18m assets) and forward FX contracts with a net obligation of £nil (FY2023: £2m asset). These are held to hedge against foreign currency risk. The pooled funds, insured liabilities and property assets 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, except for a small legacy commercial property investment which was sold in the current year. This investment was only valued at the end of each calendar quarter, so no valuation was available as at FY2023. The Group considered taking the most recent available valuation to be appropriate given the size of the commercial property investment relative to the overall value of invested assets and wider commercial property market returns since the most recent valuation.

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 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)**

31 July 2023 – £m	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities:			
– Active deferred members	(25)	(18)	(31)
– Deferred members	(388)	(326)	(86)
– Pensioners	(838)	(561)	(85)
Present value of funded scheme liabilities	**(1,251)**	**(905)**	**(202)**
Market value of scheme assets	1,446	921	186
Surplus restriction	–	(16)	–
Surplus/(deficit)	**195**	**–**	**(16)**

Net retirement benefit obligations

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**

31 July 2023 – £m	UK schemes	US schemes	Other countries	Total
Market value of scheme assets	2,367	186	20	2,573
Present value of funded scheme liabilities	(2,156)	(202)	(25)	(2,383)
Surplus restriction	(16)	–	–	(16)
Surplus/(deficit)	**195**	**(16)**	**(5)**	**174**
Unfunded pension plans	(37)	(6)	(36)	(79)
Post-retirement healthcare	(3)	(1)	(2)	(6)
Present value of unfunded obligations	(40)	(7)	(38)	(85)
Net pension asset/(liability)	**155**	**(23)**	**(43)**	**89**
Comprising:				
Retirement benefit assets	195	–	–	195
Retirement benefit liabilities	(40)	(23)	(43)	(106)
Net pension asset/(liability)	**155**	**(23)**	**(43)**	**89**

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 2024 £m	Year ended 31 July 2023 £m
Amounts charged to operating profit		
Current service cost	4	2
Past service costs – benefit equalisations	4	(5)
Settlement loss	–	1
Headline scheme administration costs	3	4
Non-headline scheme administration costs	6	2
	17	**4**
The operating cost is charged as follows:		
Headline administrative expenses	7	6
Non-headline settlement loss	–	1
Non-headline administrative expenses	10	(3)
	17	**4**
Amounts credited to finance costs		
Non-headline other finance income – retirement benefits	**(6)**	**(7)**

Amounts recognised directly in the consolidated statement of comprehensive income

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Re-measurements of retirement defined benefit assets and liabilities		
Difference between interest credit and return on assets	54	(660)
Experience gains/(losses) on scheme liabilities	(103)	(54)
Actuarial gains arising from changes in demographic assumptions	4	48
Actuarial gains/(losses) arising from changes in financial assumptions	(26)	548
Movement in surplus restriction	5	4
	(66)	**(114)**

Changes in present value of funded scheme assets

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**

31 July 2023 – £m	UK schemes	US schemes	Other countries	Total
At beginning of period	**3,067**	**225**	**22**	**3,314**
Interest on assets	105	10	1	116
Actuarial movement on scheme assets	(638)	(21)	(1)	(660)
Scheme administration costs	(5)	(1)	–	(6)
Foreign exchange rate movements	–	(10)	–	(10)
Assets distributed on settlements	–	(4)	–	(4)
Benefits paid	(162)	(13)	(2)	(177)
At end of period	**2,367**	**186**	**20**	**2,573**

Changes in present value of funded defined benefit obligations

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

31 July 2023 – £m	UK schemes	US schemes	Other countries	Total
At beginning of period	**(2,738)**	**(238)**	**(27)**	**(3,003)**
Past service costs	4	–	–	4
Interest on obligations	(94)	(10)	(1)	(105)
Actuarial movement on liabilities	510	19	1	530
Foreign exchange rate movements	–	11	–	11
Liabilities extinguished on settlements	–	3	–	3
Benefits paid	162	13	2	177
At end of period	**(2,156)**	**(202)**	**(25)**	**(2,383)**

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

	Assets		Obligations	
	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	**Year ended 31 July 2024 £m**	Year ended 31 July 2023 £m
At beginning of period	**–**	**–**	**(85)**	**(98)**
Current service cost	–	–	(4)	(1)
Interest on obligations	–	–	(3)	(3)
Actuarial movement	–	–	(1)	12
Employer contributions	6	5	–	–
Benefits paid	(6)	(5)	6	5
At end of period	**–**	**–**	**(87)**	**(85)**

Changes in the effect of the asset ceiling over the year

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Irrecoverable asset at beginning of period	**(16)**	**(20)**
Actuarial movement on scheme assets	5	4
At end of period	**(11)**	**(16)**

Cash contributions

Company contributions to the defined benefit pension plans and post-retirement healthcare plans totalled £16m (FY2023: £5m). This comprised a planned £5m contribution plus a one-off additional £5m contribution to the US funded scheme (FY2023: £nil) and £6m (FY2023: £5m) on providing benefits under unfunded defined benefit pension and post-retirement healthcare plans.

In FY2025, cash contributions to the Group's schemes are expected to be up to £11m in total.

Recent legal rulings

In July 2024, the UK Court of Appeal upheld the High Court's 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 that affected relevant benefits were void without the appropriate certificate.

The Trustees of SIPS and TIGPS are currently seeking additional legal advice on what actions, if any, should be taken, which is unlikely to be progressed until later in 2024. In the meantime, SIPS and TIGPS will continue to be administered on the current basis until the legal position has been clarified.

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. 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 2022	**5,310**	**83**	**885**	**6,278**	**£1.45**
Granted	2,023	24	253	2,300	£1.47
Exercised	(309)	(20)	(109)	(438)	£2.88
Lapsed	(2,196)	–	(71)	(2,267)	£0.33
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**

Options and awards were exercised on an irregular basis during the period. The average closing share price over the financial year was 1,656.2p (FY2023: 1,629.8p). 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 2024 was nil (31 July 2023: nil).

Range of exercise prices	**Total shares under options/awards at 31 July 2024 ('000)**	**Weighted average remaining contractual life at 31 July 2024 (months)**	Total shares under options/awards at 31 July 2023 ('000)	Weighted average remaining contractual life at 31 July 2023 (months)
£0.00 – £2.00	4,503	17	4,915	17
£6.01 – £10.00	2	–	444	6
£10.01 – £12.00	683	29	514	33

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% (FY2023: 25% to 20%) and dividend yield of 2.6% (FY2023: 2.4%), 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 £15.73 (FY2023: £15.03), and restricted stock of £15.29 (FY2023: £14.60). Staff costs included £14m (FY2023: £14m) for share-based payments, of which £11m (FY2023: £13m) 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 2022	**1,311**	**174**	**630**	**193**	**2,308**
Foreign exchange rate movements	(45)	(2)	(31)	(3)	(81)
Business combinations	7	–	13	–	20
Additions	–	21	–	7	28
Disposals	–	–	–	(38)	(38)
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**
Amortisation and impairments					
At 31 July 2022	**67**	**123**	**373**	**157**	**720**
Foreign exchange rate movements	(3)	(1)	(19)	(4)	(27)
Amortisation charge for the year	–	2	52	7	61
Disposals	–	–	–	(38)	(38)
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**
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
Net book value at 31 July 2022	1,244	51	257	36	1,588

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 2022	**19**	**152**	**459**	**630**
Foreign exchange rate movements	–	(9)	(22)	(31)
Business combinations	1	2	10	13
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**
Amortisation				
At 31 July 2022	**8**	**87**	**278**	**373**
Foreign exchange rate movements	–	(6)	(13)	(19)
Charge for the year	1	11	40	52
At 31 July 2023	**9**	**92**	**305**	**406**
Foreign exchange rate movements	–	–	(2)	(2)
Charge for the year	2	10	37	49
At July 2024	**11**	**102**	**340**	**453**
Net book value at 31 July 2024	**12**	**43**	**137**	**192**
Net book value at 31 July 2023	11	53	142	206
Net book value at 31 July 2022	11	65	181	257

Individually material intangible assets comprise:

- £38m of customer-related intangibles attributable to United Flexible (remaining amortisation period: 3 years);
- £38m of customer-related intangibles attributable to Morpho Detection (remaining amortisation period: 4 years);
- £28m of customer-related intangibles attributable to Heating & Cooling Products (remaining amortisation period: 9 years);
- £21m of customer-related intangibles attributable to Royal Metal (remaining amortisation period: 4 years);
- £30m of development cost intangibles attributable to a computed tomography programme in Detection that is currently under development; and
- £24m of development cost intangibles attributable to an X-ray diffraction programme in Detection that is currently under development.

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:

	2024 £m	2024 Number of CGUs	2023 £m	2023 Number of CGUs
John Crane	130	1	131	1
Smiths Detection	625	1	630	1
Flex-Tek	193	1	183	1
Smiths Interconnect	264	1	265	1
	1,212	**4**	**1,209**	**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 FY2025 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 business segments operate. Pre-tax rates of 11.9% to 12.8% (FY2023: 11.4% to 13.0%) 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% (FY2023: 2.2% to 2.7%). 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 2024		John Crane	Smiths Detection	Flex-Tek	Smiths Interconnect
Net book value of goodwill (£m)		135	649	191	279
Basis of valuation		Value in use	Value in use	Value in use	Value in use
Discount rate	– pre-tax	11.9%	12.8%	12.6%	12.5%
	– post-tax	9.4%	9.5%	10.0%	10.1%
Period covered by management projections		5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)		31	19	10	12
Revenue – compound annual growth rate over projection period		6.1%	3.8%	3.6%	4.4%
Average earnings before interest and tax margin		22.2%	12.9%	20.5%	15.8%
Long-term growth rates		2.6%	2.3%	2.1%	2.5%

As at 31 May 2023		John Crane	Smiths Detection	Flex-Tek	Smiths Interconnect
Net book value of goodwill (£m)		135	649	191	279
Basis of valuation		Value in use	Value in use	Value in use	Value in use
Discount rate	– pre-tax	13.0%	12.2%	11.8%	11.5%
	– post-tax	9.7%	9.3%	9.4%	9.4%
Period covered by management projections		5 years	5 years	5 years	5 years
Capital expenditure – annual average over projection period (£m)		27	27	10	20
Revenue – compound annual growth rate over projection period		5.3%	4.5%	3.4%	4.7%
Average earnings before interest and tax margin		24.6%	14.5%	19.5%	18.6%
Long-term growth rates		2.7%	2.4%	2.2%	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.

Sensitivity analysis

Smiths Detection is the only CGU of the Group that has limited goodwill impairment testing headroom. For all of the Group's other CGUs the recoverable amount of the CGU exceeded the carrying value, on the basis of the assumptions set out in the preceding tables and any reasonably possible changes thereof.

The estimated recoverable amount of the Smiths Detection CGU exceeded its 31 July 2024 carrying value by £254m. Any decline in estimated value in use in excess of this amount would result in the recognition of impairment charges.

Management recognise that the goodwill impairment testing headroom of the Smiths Detection CGU is most sensitive to movements in the revenue growth rate, the EBIT margin and the discount rate assumptions. Of these key assumptions, management consider that the EBIT margin assumption is the most sensitive.

The Smiths Detection financial model assumes that EBIT margins grow from 11.9% in FY2024 to an average of 13.6% over the five-year financial model period. This increase in EBIT margin is principally driven by a change in revenue and profit mix, with proportion of higher margin aftermarket revenue growing over the five-year projection period.

Management considers that it is plausible that this margin growth may not be fully captured by the business. For the CGU to be impaired, the average EBIT margin over the five-year financial model would have to be less than 11.5%; management does not believe this to be a reasonably plausible scenario.

If the assumptions used in the impairment review were 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 2024:

Change required for carrying value to equal recoverable amount – FY2024	Smiths Detection
Revenue – compound annual growth rate (CAGR) over five-year projection period	-470 bps decrease
Average earnings before interest and tax margin	-220 bps decrease
Post-tax discount rate	+150 bps increase

Change required for carrying value to equal recoverable amount – FY2023	Smiths Detection
Revenue – compound annual growth rate (CAGR) over five-year projection period	-460 bps decrease
Average earnings before interest and tax margin	-220 bps decrease
Post-tax discount rate	+140 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.

The Smiths Interconnect CGU's revenue and headline operating profit for FY2024 declined versus the prior year, reflecting weaknesses in the semiconductor market and a slower market in connectors. This underperformance has driven a reduction in the CGU's impairment headroom, as its strategic plan growth is now projected off a new lower base. The detailed assumptions and calculation basis of Interconnect's strategic plan and impairment model have been stress tested and management have concluded that there are no reasonably possible changes in the key impairment testing assumptions that could result 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 2022	**176**	**457**	**129**	**762**
Foreign exchange rate movements	(6)	(14)	(2)	(22)
Business combinations	–	2	–	2
Additions	10	33	10	53
Disposals	(2)	(15)	(17)	(34)
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**
Depreciation				
At 31 July 2022	**108**	**299**	**112**	**519**
Foreign exchange rate movements	(4)	(8)	(2)	(14)
Charge for the year	8	25	9	42
Disposals	(2)	(14)	(17)	(33)
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 July 2024	**113**	**314**	**94**	**521**
Net book value at 31 July 2024	**68**	**182**	**20**	**270**
Net book value at 31 July 2023	68	161	18	247
Net book value at 31 July 2022	68	158	17	243

13. Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
Cost or valuation				
At 31 July 2022	**174**	**21**	**1**	**196**
Foreign exchange rate movements	(6)	(1)	–	(7)
Recognition of right of use asset	27	7	1	35
Derecognition of right of use asset	(5)	–	–	(5)
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**
Depreciation				
At 31 July 2022	**75**	**15**	**–**	**90**
Foreign exchange rate movements	(4)	–	–	(4)
Charge for the year	27	4	1	32
Derecognition of right of use asset	(4)	–	–	(4)
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**
Net book value at 31 July 2024	**96**	**13**	**1**	**110**
Net book value at 31 July 2023	96	8	1	105
Net book value at 31 July 2022	99	6	1	106

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 2022	**364**	**19**	**8**	**4**	**395**
Fair value change through profit and loss	–	(6)	–	–	(6)
Fair value change through other comprehensive income	(17)	–	(1)	–	(18)
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**

Following the sale of Smiths Medical the Group has held a financial asset for its investment in ICU Medical, Inc (ICU) equity and a financial asset for the fair value of US$100m additional sales consideration that is contingent on the future share price performance of ICU. During FY2024 the Group has sold 2,030,000 shares in ICU reducing Smiths' equity investment in ICU to approximately 1.9% of ICU's issued share capital. The Group's reduced investment in ICU has resulted in the contingent consideration no longer being payable.

Since the year end during August 2024 the Group disposed of 415,771 ICU shares, which further reduced the Group's equity stake in ICU to approximately 0.2% of ICU's issued share capital.

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 2024 £m	31 July 2023 £m
Raw materials and consumables	192	201
Work in progress	148	130
Finished goods	303	306
Total inventories	**643**	**637**

In FY2024, operating costs included £1,629m (FY2023: £1,622m) of inventory consumed, £13m (FY2023: £26m) was charged for the write-down of inventory and £11m (FY2023: £16m) was released from provisions no longer required.

Inventory provisioning

	31 July 2024 £m	31 July 2023 £m
Gross inventory carried at full value	560	545
Gross value of inventory partly or fully provided for	146	158
	706	703
Inventory provision	(63)	(66)
Inventory after provisions	**643**	**637**

16. Trade and other receivables

	31 July 2024 £m	31 July 2023 £m
Non-current		
Trade receivables	–	2
Prepayments	1	–
Contract assets	86	65
Other receivables	9	8
	96	**75**
Current		
Trade receivables	544	493
Prepayments	58	40
Contract assets	123	121
Other receivables	101	118
	826	**772**

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 £788m (FY2023: £744m).

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 increases in contract asset balances of £23m (FY2023: £19m) principally within John Crane and Smiths Detection, offset by a £1m (FY2023: £7m) decrease due to foreign currency translation losses.

A number of Flex-Tek's and Interconnect'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 FY2024 the Group collected £146m of receivables through these schemes (FY2023: £128m). The impact of invoice discounting on the FY2024 balance sheet was that trade receivables were reduced by £23m (2023: £26m). Costs of discounting were £2m (FY2023: £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 8% (FY2023: 7%) of Group revenue.

Ageing of trade receivables

	31 July 2024 £m	31 July 2023 £m
Trade receivables which are not yet due	436	389
Trade receivables which are between 1-30 days overdue	56	52
Trade receivables which are between 31-60 days overdue	17	19
Trade receivables which are between 61-90 days overdue	13	12
Trade receivables which are between 91-120 days overdue	5	8
Trade receivables which are more than 120 days overdue	46	45
	573	**525**
Expected credit loss allowance provision	(29)	(30)
Trade receivables	**544**	**495**

Movement in expected credit loss allowance

	31 July 2024 £m	31 July 2023 £m
Brought forward loss allowance at the start of the period	30	36
Exchange adjustments	1	(1)
Increase in allowance recognised in the income statement	4	4
Amounts written off or recovered during the year	(6)	(9)
Carried forward loss allowance at the end of the year	**29**	**30**

17. Trade and other payables

	31 July 2024 £m	31 July 2023 £m
Non-current		
Other payables	15	13
Contract liabilities	26	27
	41	**40**
Current		
Trade payables	274	247
Other payables	35	51
Other taxation and social security costs	60	66
Accruals	204	200
Contract liabilities	191	159
	764	**723**

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 £217m (FY2023: £186m) 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 £166m (FY2023: £97m) 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 2024 £m	31 July 2023 £m
Cash and cash equivalents		
Net cash and deposits	**459**	**285**
Short-term borrowings		
Lease liabilities	(32)	(26)
Interest accrual	(2)	(3)
	(34)	**(29)**
Long-term borrowings		
€650m 2.00% Eurobond 2027	(534)	(534)
Lease liabilities	(91)	(91)
	(625)	**(625)**
Borrowings/gross debt	**(659)**	**(654)**
Derivatives managing interest rate risk and currency profile of the debt	(13)	(18)
Net debt	**(213)**	**(387)**

Cash and cash equivalents

	31 July 2024 £m	31 July 2023 £m
Cash at bank and in hand	123	175
Short-term deposits	336	110
Cash and cash equivalents	**459**	**285**

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 18 for a maturity analysis of borrowings. Interest of £12m (FY2023: £17m) 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	–	–	–	(13)	(13)
Foreign exchange forward contracts	–	4	(4)	–	–
At 31 July 2024	**–**	**4**	**(4)**	**(13)**	**(13)**
Derivatives managing interest rate risk and currency profile of the debt	–	–	–	(18)	(18)
Foreign exchange forward contracts	–	5	(2)	–	3
At 31 July 2023	**–**	**5**	**(2)**	**(18)**	**(15)**

Movements in assets/(liabilities) arising from financing activities

	Changes in net debt						
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	**Net debt £m**	Changes in other financing items: FX contracts £m	**Total liabilities from financing activities £m**
At 31 July 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.

	Changes in net debt						
	Cash and cash equivalents £m	Other short-term borrowings £m	Long-term borrowings £m	Interest rate and cross-currency swaps £m	**Net debt £m**	Changes in other financing items: FX contracts £m	**Total liabilities from financing activities £m**
At 31 July 2022	**1,056**	**(538)**	**(628)**	**(40)**	**(150)**	**(3)**	**(153)**
Foreign exchange gains/(losses)	(10)	(21)	(10)	–	(41)	# (4,031)	(4,072)
Net cash inflow from continuing operations	(761)	564	–	8	(189)	# 4,031	3,842
Net movement from new leases and modifications	–	(34)	–	–	(34)	–	(34)
Interest rate hedge fair value movements	–	(2)	16	–	14	–	14
Revaluation of derivative contracts	–	–	–	14	14	6	20
Interest expense taken to income statement	–	28	–	–	28	–	28
Interest paid	–	(29)	–	–	(29)	–	(29)
Reclassifications	–	3	(3)	–	–	–	–
At 31 July 2023	**285**	**(29)**	**(625)**	**(18)**	**(387)**	**3**	**(384)**

\# These amounts relate to the cash settlement of foreign exchange contracts. As these are with the same financial institution, in the current year they have not been shown gross.

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 2024 the total value of overdrafts on accounts in interest compensation cash pooling systems was £nil (FY2023: £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 FY2024 was 4.42% (FY2023: 4.01%).

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 2024 were BBB+ / Baa2 (both stable) 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 2024 these measures were 100% (FY2023: 100%), 2.6 years (FY2023: 3.6 years) and 54% (FY2023: 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 2024, these measures were £623m (FY2023: £622m) and 57 months (FY2023: 57 months) until maturity. At 31 July 2024, net cash resources were £459m (FY2023: £285m). 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 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**

At 31 July 2023

	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Financial assets and liabilities					
Financial instruments included in trade and other receivables	43	372	127	184	726
Financial instruments included in trade and other payables	(64)	(216)	(93)	(103)	(476)
Cash and cash equivalents	50	115	29	91	285
Borrowings not designated as net investment hedges	(27)	(54)	(12)	(24)	(117)
	2	217	51	148	418
Exclude balances held in operations with the same functional currency.	(7)	(287)	(57)	(153)	(504)
Exposure arising from intra-Group loans	–	127	28	(73)	82
Future forward foreign exchange contract cash-flows	(63)	(23)	(48)	133	(1)
	(68)	**34**	**(26)**	**55**	**(5)**

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 FY2024 £m	**Gain/(loss) recognised in reserves FY2024 £m**	Impact on profit for the year FY2023 £m	Gain/(loss) recognised in reserves FY2023 £m
US dollar	1	2	–	1
Euro	(1)	(3)	1	–
Sterling	(2)	–	–	(1)

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 2024, contracts with a nominal value of £178m (FY2023: £123m) were designated as hedging instruments. In addition, the Group had outstanding foreign currency contracts with a nominal value of £315m (FY2023: £252m) 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 (FY2023: 98%).

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 2024 £m	Year ended 31 July 2023 £m
Brought forward cash-flow hedge reserve at start of year		–	(3)
Foreign exchange forward contracts:	Net fair value gains on effective hedges	–	1
	Amount reclassified to income statement – finance costs	–	2
Carried forward cash-flow hedge reserve at end of year		**–**	**–**

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	FY2024	–	–	–
			FY2023	1	(1)	1

Cash-flow hedges generated £nil of ineffectiveness in FY2024 (FY2023: £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 2024			At 31 July 2023		
	US$ £m	**Euro £m**	**Total £m**	US$ £m	Euro £m	Total £m
Loans designated as net investment hedges	–	(288)	(288)	–	(293)	(293)
Cross-currency swap	(248)	–	(248)	(247)	–	(247)
	(248)	**(288)**	**(536)**	**(247)**	**(293)**	**(540)**

At 31 July 2024, cross-currency swaps hedged the Group's exposure to US dollars and euros (FY2023: US dollars and euros). All the cross-currency swaps designated as net investment hedges were non-current (FY2023: non-current). Swaps generating £248m of the US dollar exposure (FY2023: £247m) will mature in February 2027.

In addition, non-swapped borrowings were also used to hedge the Group's exposure to euros (FY2023: euros). Borrowings generating £288m of the euro exposure (FY2023: £293m) 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 2024 £m	Year ended 31 July 2023 £m
Brought forward net investment hedge reserve at start of year		(196)	(207)
Cross-currency swaps	Net fair value gains on effective hedges	–	40
Bonds	Net fair value gains on effective hedges	5	(29)
Carried forward net investment hedge reserve at end of year		**(191)**	**(196)**

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 2024 and 31 July 2023:

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	FY2024	**(5)**	**5**	**–**
Overseas operation	Foreign currency risk	Cross-currency swaps	FY2023	(40)	40	40
		Bonds	FY2023	29	(29)	(29)
				(11)	**11**	**11**

Net investment hedges generated £nil of ineffectiveness in FY2024 (FY2023: £1m) which was recognised in the income statement through finance costs.

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

	Loss recognised in hedge reserve 31 July 2024 £m	Loss recognised in hedge reserve 31 July 2023 £m
US dollar	28	27
Euro	32	33

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

(b) Interest rate risk

The Group operates an interest rate policy designed to optimise interest cost and reduce volatility in reported earnings. The Group's current policy is to require interest rates to be fixed within a band of between 40% and 60 % of the level of gross debt (excluding leases). This is achieved through fixed rate borrowings and interest rate swaps. At 31 July 2024 54% (FY2023: 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 2024, after interest rate swaps, was 4.60% (FY2023: 4.53%).

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 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)**

	As at 31 July 2023			
	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	–	–	(29)	(29)
Between one and five years	–	–	(365)	(347)
Greater than five years	–	–	(24)	(24)
Total fixed interest financial liabilities	**–**	**–**	**(418)**	**(400)**
Floating rate interest financial assets/(liabilities)	4	215	(236)	(240)
Total interest-bearing financial assets/(liabilities)	**4**	**215**	**(654)**	**(640)**
Non-interest-bearing assets in the same category	–	70	–	–
Total	**4**	**285**	**(654)**	**(640)**

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 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.

At 31 July 2023, the Group had designated the following hedges 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; and
- €400m of the fixed/floating element of the EUR/USD interest rate swaps that partially hedged the € 2023 Eurobond was repaid on 28 April 2023.

The fair values of the hedging instruments are disclosed in note 20. The effect of the swaps was to convert £253m (FY2023: £257m) debt from fixed rate to floating rate. The swaps have similar critical terms to the hedged items, such as the reference rate, reset dates, notional amounts, payment dates and maturities. Therefore, there is an economic relationship and the hedge ratio is established as 1:1. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

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

Hedged item	Hedged exposure	Financial year	Changes in value of hedged item for calculating ineffectiveness £m	Changes in value of the hedging instrument for calculating ineffectiveness £m	Carrying amount Assets £m	Carrying amount Liabilities £m	Accumulated fair value adjustments on hedged item Assets £m	Accumulated fair value adjustments on hedged item Liabilities £m
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2024	**(9)**	**9**	**–**	**253**	**–**	**(12)**
	Interest rate risk	FY2023	(2)	2	–	–	–	–
Fixed rate bonds (a)	Interest rate and currency rate risk	FY2023	16	(16)	–	233	–	(21)
			14	**(14)**	**–**	**233**	**–**	**(21)**

(a) Classified as borrowings.

Fair value hedges generated a £nil ineffectiveness in FY2024 (FY2023: £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 2024, 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 (FY2023: £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 £465m at 31 July 2024 (FY2023: £296m).

	31 July 2024 £m	31 July 2023 £m
Cash in AAA liquidity funds	196	78
Cash at banks with at least a AA- credit rating	26	31
Cash at banks with all other A credit ratings	185	170
Cash at other banks	52	6
Investments in bank deposits	1	4
Other investments	5	7
	465	**296**

At 31 July 2024, the maximum exposure with a single bank for deposits and cash was £128m (FY2023: £65m). The bank has a credit rating of A+. The maximum mark to market exposure with a single bank for derivatives was out of the money in both the current and prior year and does 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 2029. At the balance sheet date, the Group had the following undrawn credit facility:

	31 July 2024 £m	31 July 2023 £m
Expiring after more than four years (FY2023: four years)	**623**	622

Cash deposits

As at 31 July 2024, £336m (FY2023: £110m) of cash and cash equivalents was on deposit with various banks of which £196m (FY2023: £78m) was in liquidity funds. £1m (FY2023: £4m) of investments comprised bank deposits held to secure liabilities and letters of credit.

Gross contractual cash-flows for borrowings

As at 31 July 2024	Borrowings £m	Fair value adjustments £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(34)	–	(11)	(45)
Between one and two years	(21)	–	(11)	(32)
Between two and three years	(18)	–	(11)	(29)
Between three and four years	(11)	–	–	(11)
Between four and five years	(554)	12	–	(542)
Greater than five years	(33)	–	–	(33)
Total	**(671)**	**12**	**(33)**	**(692)**

As at 31 July 2023	Borrowings £m	Fair value adjustments £m	Contractual interest payments £m	Total contractual cash-flows £m
Less than one year	(29)	–	(11)	(40)
Between one and two years	(27)	–	(11)	(38)
Between two and three years	(20)	–	(11)	(31)
Between three and four years	(13)	–	(11)	(24)
Between four and five years	(561)	21	–	(540)
Greater than five years	(24)	–	–	(24)
Total	**(674)**	**21**	**(44)**	**(697)**

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 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)**

As at 31 July 2023	Receipts £m	Payments £m	Net cash-flow £m
Assets			
Less than one year	209	(204)	5
Greater than one year	6	(6)	–
Liabilities			
Less than one year	159	(161)	(2)
Greater than one year	252	(270)	(18)
Total	**626**	**(641)**	**(15)**

This 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 £481m (FY2023: £463m) due in less than one year, £14m (FY2023: £13m) 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 2024	Contract or underlying nominal amount £m	Fair value Assets £m	Fair value Liabilities £m	Fair value 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)**

At 31 July 2023	Contract or underlying nominal amount £m	Fair value Assets £m	Fair value Liabilities £m	Fair value Net £m
Foreign exchange contracts (cash-flow hedges)	123	1	(1)	–
Foreign exchange contracts (not hedge accounted)	252	4	(1)	3
Total foreign exchange contracts	**375**	**5**	**(2)**	**3**
Cross-currency swaps (fair value and net investment hedges)	247	–	(18)	(18)
Total financial derivatives	**622**	**5**	**(20)**	**(15)**
Balance sheet entries:				
Non-current	256	–	(18)	(18)
Current	366	5	(2)	3
Total financial derivatives	**622**	**5**	**(20)**	**(15)**

Accounting for other derivative contracts

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

Netting

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

	Assets 31 July 2024 £m	Liabilities 31 July 2024 £m	Assets 31 July 2023 £m	Liabilities 31 July 2023 £m
Gross value of assets and liabilities	4	(17)	5	(20)
Related assets and liabilities subject to master netting agreements	(4)	4	(5)	5
Net exposure	**–**	**(13)**	**–**	**(15)**

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

			Maturity at 31 July 2024			Maturity at 31 July 2023		
Hedged exposure	Hedging instrument		Up to one year	One to five years	More than five years	Up to one year	One to five years	More than five years
Fair value hedges								
Interest rate/ foreign currency risk	Cross-currency swaps (EUR:GBP)	– Notional amount (£m)	–	254	–	–	254	–
		– Average exchange rate	–	0.845	–	–	0.845	–
		– Average spread over three-month GBP SONIA	–	1.860%	–	–	1.860%	–
Net investment hedges								
Foreign currency risk	Cross-currency swaps (GBP:USD)	– Notional amount (£m)	–	248	–	–	247	–
		– Average exchange rate	–	1.2534	–	–	1.2534	–
Cash-flow hedges								
Foreign currency risk	Foreign exchange contracts (EUR:GBP)	– Notional amount (£m)	66	–	–	41	8	–
		– Average exchange rate	0.8588	–	–	0.7842	0.8893	–
	Foreign exchange contracts (USD:GBP)	– Notional amount (£m)	41	–	–	18	–	–
		– Average exchange rate	1.2593	–	–	1.2269	–	–
	Foreign exchange contracts (EUR:USD)	– Notional amount (£m)	24	–	–	30	–	–
		– Average exchange rate	0.9277	–	–	1.0939	–	–
	Foreign exchange contracts (GBP:CZK)	– Notional amount (£m)	25	–	–	10	–	–
		– Average exchange rate	28.6952	–	–	27.7919	–	–
	Foreign exchange contracts (EUR:AUD)	– Notional amount (£m)	9	–	–	7	–	–
		– Average exchange rate	1.6564	–	–	1.6603	–	–

At 31 July 2024, the Group had forward foreign exchange contracts with a nominal value of £178m (FY2023: £123m) 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 28 July 2025. The largest single currency pairs are disclosed above and make up 93% of the notional hedged exposure. The notional and fair values of these foreign exchange forward derivatives are shown in the nominal amount and fair value of derivative contracts table on page 181.

21. Fair value of financial instruments

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)**

As at 31 July 2023	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	–	4	347	351	351
Other investments	14	F	–	13	7	20	20
Cash and cash equivalents	18	A	285	–	–	285	285
Trade and other financial receivables		B/C	726	–	–	726	726
Derivative financial instruments	20	C	–	5	–	5	5
Total financial assets			**1,011**	**22**	**354**	**1,387**	**1,387**
Financial liabilities							
Trade and other financial payables		B	(476)	–	–	(476)	(476)
Short-term borrowings	18	D	(3)	–	–	(3)	(3)
Long-term borrowings	18	D	(534)	–	–	(534)	(520)
Lease liabilities	18	E	(117)	–	–	(117)	(117)
Derivative financial instruments	20	C	–	(20)	–	(20)	(20)
Total financial liabilities			**(1,130)**	**(20)**	**–**	**(1,150)**	**(1,136)**

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).

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 2024, commitments, comprising bonds and guarantees arising in the normal course of business, amounted to £187m (FY2023: £207m), including pension commitments of £44m (FY2023: £56m) and charitable funding commitments for the Smiths Group Foundation of £9m (FY2023: £10m). In addition, the Group has committed expenditure on capital projects amounting to £14m (FY2023: £13m).

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 2022	**11**	**229**	**52**	**43**	**335**
Foreign exchange rate movements	–	(12)	(3)	–	(15)
Provision charged	5	13	–	18	36
Provision released	(4)	–	(7)	(14)	(25)
Unwind of provision discount	–	6	1	–	7
Utilisation	(4)	(32)	(2)	(14)	(52)
At 31 July 2023	**8**	**204**	**41**	**33**	**286**
Comprising:					
Current liabilities	6	27	13	24	70
Non-current liabilities	2	177	28	9	216
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**

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 2024, the Group had warranty and product liability provisions of £9m (FY2023: £6m). 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 40 years since the start of this litigation:

	Year ended 31 July 2024	Year ended 31 July 2023	Year ended 31 July 2022	Year ended 31 July 2021	Year ended 31 July 2020
JCI claims experience					
Claims against JCI that have been dismissed	312,000	310,000	306,000	305,000	297,000
Claims JCI is currently a defendant in	20,000	20,000	22,000	22,000	25,000
Cumulative final judgements, after appeals, against JCI since 1979	156	154	149	149	149
Cumulative value of awards (US$m) since 1979	191	190	175	175	175

The number of claims outstanding at 31 July 2024 reflected the benefit of 2,000 (FY2023: 4,000) 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. Trial delays arising from the COVID-19 pandemic have largely abated and trial activity has returned to pre-pandemic levels.

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 (FY2023: 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 £200m and future spend at the 95th percentile of £258m (FY2023: £180m and £245m, respectively). Statistical analysis of the distribution of these outcomes indicates that there is a 50% probability that the total future spend will fall between £245m and £271m (FY2023: between £228m and £257m), compared to the gross provision value of £261m (FY2023: £246m).

John Crane, Inc. litigation provision history

The JCI asbestos litigation provision of £220m (FY2023: £204m) 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 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2020 £m
John Crane, Inc. litigation provision					
Gross provision	261	246	258	220	235
Discount	(41)	(42)	(29)	(8)	(4)
Discounted pre-tax provision	**220**	**204**	**229**	**212**	**231**
Deferred tax	(54)	(51)	(57)	(54)	(59)
Discounted post-tax provision	**166**	**153**	**172**	**158**	**172**
Operating profit charge/(credit)					
Increased provisions for adverse judgements and legal defence costs	28	28	24	10	14
Change in US risk-free rates	1	(15)	(18)	(5)	16
Subtotal – items charged to the provision	29	13	6	5	30
Litigation management, legal fees in connection with litigation against insurers and defence strategy	–	2	1	1	1
Recoveries from insurers	(3)	(7)	–	(9)	(3)
Total operating profit charge/(credit)	**26**	**8**	**7**	**(3)**	**28**
Cash-flow					
Provision utilisation – legal defence costs and adverse judgements	(21)	(32)	(21)	(13)	(23)
Litigation management expense	–	(2)	(1)	–	(1)
Recoveries from insurers	3	7	–	9	3
Net cash outflow	**(18)**	**(27)**	**(22)**	**(4)**	**(21)**

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 £16m (FY2023: £16m) and reducing it by five years would reduce the provision by £87m (FY2023: £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 (FY2023: £13m) and extending it by five years would increase the pre-tax provision by £47m (FY2023: £48m). 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 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 assumptions relating to the number of future settlements exclude the use of recent claims history due to the uncertain impact that the COVID-19 lockdown has had on the number of claims.

The provision of £36m (FY2023: £41m) 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 2024 £m	31 July 2023 £m
Gross provision	69	78
Discount	(33)	(37)
Discounted pre-tax provision	**36**	**41**
Deferred tax	(9)	(9)
Discounted post-tax provision	**27**	**32**

Titeflex Corporation litigation provision history
A credit of £5m (FY2023: £8m 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.

Titeflex Corporation litigation provision sensitivities
The significant uncertainty associated with the future level of claims and of the costs arising out of related litigation means that 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. Therefore the provision may be subject to potentially material revision from time to time, if new information becomes available as a result of future events.

The projections incorporate a long-term assumption regarding the impact of safe installation initiatives on the level of future claims. If the assumed annual benefit of bonding and grounding initiatives were 0.5% higher, the provision would be £2m (FY2023: £2m) lower, and if the benefit were 0.5% lower, the provision would be £2m (FY2023: £2m) higher.

The projections use assumptions of future claims that are based on both the number of future settlements and the average amount of those settlements. If the assumed average number of future settlements increased 10%, the provision would rise by £2m (FY2023: £3m), with an equivalent fall for a reduction of 10%. If the assumed amount of those settlements increased 10%, the provision would rise by £2m (FY2023: £2m), also with an equivalent fall for a reduction of 10%.

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, which includes claims received in connection with the disposal of Smiths Medical. 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 2024, there were reorganisation provisions of £1m (FY2023: £7m) relating to the various restructuring programmes that are expected to be utilised in the next 18 months.

Property
At 31 July 2024, there were provisions of £6m (FY2023: £10m) 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 2022	**362,356,159**	**136**	
Share buybacks	(13,053,169)	(5)	(207)
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 capital structure

As at 31 July 2024, the Company's issued share capital was 345,097,794 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 2024, 3,020,289 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 2023 Annual General Meeting. At the 2024 AGM, it will be proposed that the Directors be granted new authorities to allot and buy back shares.

Share buybacks

As at 12 September 2024 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 31.8 million ordinary shares (FY2023: 10.7 million). As at 12 September 2024, the Company did not hold any shares in treasury. Any ordinary shares purchased may be cancelled or held in treasury.

As previously reported, the Company undertook a share buyback programme in November 2021 that completed in September 2023, under which a total of 48,970,726 shares were purchased for a consideration of £742m. During the current period, the Company purchased 1,764,660 shares for a consideration of £29m under this scheme.

On 26 March 2024, the Company announced a £100m share buyback programme to purchase ordinary shares in the capital of the Company. The first £50m tranche completed on 6 September 2024. The timing for initiating the second £50m tranche has not been determined. The ordinary shares purchased under the programme will be cancelled. Under this new scheme, 2,478,536 ordinary shares of 37.5p each were repurchased during the period, for a total consideration of £41,551,369, of which 38,000 shares with a value of £678,713 were yet to settle and be cancelled.

A further 496,006 ordinary shares have been repurchased during the period of 1 August 2024 to 6 September 2024. In total since the start of the Programme, 2,974,542 shares have been repurchased, for a total consideration of £50m, representing 1% 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 2024, the Trust held 1,388,730 (FY2023: 1,742,929) 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 2024 £m	Year ended 31 July 2023 £m
Ordinary final dividend of 28.70p (FY2023: 27.3p) paid 24 November 2023	100	97
Ordinary interim dividend of 13.55p (FY2023: 12.9p) paid 13 May 2024	47	46
	147	**143**

In the current year a final dividend of 28.7p was paid in respect of FY2023 and an interim dividend of 13.55p was paid in respect of FY2024. In the prior year a total dividend of 40.2p was paid, comprising a final dividend of 27.3p paid in respect of FY2022 and an interim dividend of 12.9p paid in respect of FY2023.

The final dividend for the year ended 31 July 2024 of 30.2p per share was recommended by the Board on 23 September 2024 and will be paid to shareholders on 22 November 2024, subject to approval by the shareholders. This dividend is payable to all shareholders on the register of members at 6.00pm on 18 October 2024 (the record date).

Waiver of dividends

Winterflood Client Nominees Limited (Buck Trustees Dividend Waived Ltd) 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 (FY2023: nil) shares to the Trust, the Trust purchased 1,251,530 shares (FY2023: 1,553,558 shares) in the market for a consideration of £20m (FY2023: £25m) and redeemed 1,605,729 shares (FY2023: 429,291) to employees for a cumulative option cost of £4m (FY2023: £1m). At 31 July 2024, the Trust held 1,388,730 (FY2023: 1,742,929) 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 FY2024 ROCE was 16.4% (FY2023: 15.7%); see note 29.

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

The FY2024 ratio of net debt to headline EBITDA of 0.3 (FY2023: 0.7) 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 29 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 2024, the Group had a credit rating of BBB+/Baa2 (FY2023: 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 2024 £m	31 July 2023 £m
Net investment hedge reserve (net of £7m of deferred tax (FY2023: £8m))	(184)	(188)
Hedge reserve total	**(184)**	**(188)**

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 £22m (FY2023: £22m), of which the most significant balance is in John Crane Japan Inc., which represented £20m (FY2023: £19m) 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 £4m in the period (FY2023: £5m), and cash inflows from operating activities of £4m (FY2023: £2m). It paid dividends of £1m (FY2023: £1m) and tax of £1m (FY2023: £2m). At 31 July 2024, the company contributed £53m (FY2023: £53m) of net assets to the Group.

27. Acquisitions

On 30 August 2023, the Group acquired 100% of the share capital of Heating & Cooling Products (HCP), for consideration of £64m, financed using the Group's own cash resources. HCP is a US-based manufacturer of Heating, Ventilation & Air Conditioning (HVAC) solutions. This acquisition will further expand the Flex-Tek business segment's presence in the North American HVAC market, enabling Smiths to serve customers with an even broader product range.

The intangible assets recognised on acquisition comprise customer relationships, intellectual property and technology. 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 2024, HCP contributed £52m to revenue and £11m to profit before taxation and amortisation. If the Group had acquired this business at the beginning of the financial year, the acquisition would have contributed an additional £4m to revenue and £1m to profit before taxation.

On 27 October 2023, the Group's Flex-Tek business segment acquired 100% of the share capital of Burns Machine (Burns) for consideration of approximately £1m, financed using the Group's own cash resources.

Provisional balances at the date of acquisition have been provided in the table below. The amounts remain provisional due to the fair value of the acquisition balance sheets not being finalised.

		HCP £m	Burns £m	**Total £m**
Non-current assets	– acquired intangible assets	34	–	34
	– plant and machinery	6	1	7
	– right of use assets	12	–	12
Current assets	– inventory	10	–	10
	– trade and other receivables	7	–	7
Current liabilities	– trade and other payables	(3)	–	(3)
Non-current liabilities	– lease liability	(12)	–	(12)
Net assets acquired		**54**	**1**	**55**
Goodwill on current period acquisitions		10	–	10
Total consideration		**64**	**1**	**65**

Post balance sheet date acquisitions

During September 2024, the Group acquired 100% of the share capital of Wattco, Inc. (19 September 2024) and exchanged on the acquisition of 100% of the share capital of Modular Metal Fabricators, Inc. (10 September 2024), with completion anticipated for Q1 FY2025.

Wattco is a manufacturer of industrial heating solutions and control panels which will expand Flex-Tek's industrial heat business, and Modular Metal Fabricators is a manufacturer of metal and flexible duct which will expand Flex-Tek's HVAC business.

Total cash consideration for these acquisitions was £95m, with deferred consideration being up to circa £15m. Due to the short time between completion of the acquisition and the announcement date, it has not been possible to determine the fair value of the deferred consideration. Payment of the deferred consideration is contingent on future business performance.

In the last twelve months these businesses have delivered £38m of revenue and £7m of net earnings (twelve months to 31 March 2024 for Modular Metal Fabricators and twelve months to 30 June 2024 for Wattco). These acquisitions have been financed using the Group's own cash resources. 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. Cash-flow

Cash-flow from operating activities

	Year ended 31 July 2024			Year ended 31 July 2023		
	Headline £m	**Non-headline £m**	**Total £m**	Headline £m	Non-headline £m	Total £m
Operating profit:						
– continuing operations	526	(111)	415	501	(98)	403
– discontinued operations	–	–	–	–	6	6
Amortisation of intangible assets	7	49	56	9	52	61
Depreciation of property, plant and equipment	44	1	45	42	–	42
Depreciation of right of use assets	34	–	34	32	–	32
(Gain)/loss on disposal of property, plant and equipment	1	–	1	–	–	–
(Gain)/loss on fair value of contingent consideration	–	13	13	–	6	6
Share-based payment expense	13	–	13	13	–	13
Retirement benefits*	7	(8)	(1)	5	(7)	(2)
Loss on disposal of financial asset	–	9	9	–	–	–
Decrease/(increase) in inventories	(4)	–	(4)	(88)	(1)	(89)
Decrease/(increase) in trade and other receivables	(107)	26	(81)	(10)	(53)	(63)
Increase/(decrease) in trade and other payables	71	(21)	50	10	39	49
Increase/(decrease) in provisions	3	(5)	(2)	(2)	(32)	(34)
Cash generated from operations	**595**	**(47)**	**548**	**512**	**(88)**	**424**
Interest paid	(57)	–	(57)	(73)	(2)	(75)
Interest received	26	–	26	36	–	36
Tax paid	(99)	–	(99)	(92)	–	(92)
Net cash inflow from operating activities	**465**	**(47)**	**418**	**383**	**(90)**	**293**

* 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 29 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 2024			Year ended 31 July 2023		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Net cash inflow from operating activities	**465**	**(47)**	**418**	**383**	**(90)**	**293**
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(86)	–	(86)	(81)	–	(81)
Repayment of lease liabilities	(39)	–	(39)	(36)	–	(36)
Disposals of property, plant and equipment	–	–	–	2	–	2
Funding of charitable foundation	–	1	1			
Movement in cash collateral	4	–	4	–	–	–
Free cash-flow			**298**			**178**
Exclude:						
Repayment of lease liabilities	39	–	39	36	–	36
Interest paid	57	–	57	73	–	73
Interest received	(26)	–	(26)	(36)	–	(36)
Tax paid	99	–	99	92	–	92
Funding of charitable foundation	–	(1)	(1)	–	–	–
Movement in cash collateral	(4)	–	(4)	–	–	–
Operating cash-flow	**509**	**(47)**	**462**	**433**	**(90)**	**343**

Headline cash conversion

Headline operating cash conversion for continuing operations is calculated as follows:

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Headline operating profit	526	501
Headline operating cash-flow	509	433
Headline operating cash conversion	**97%**	**86%**

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

	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Free cash-flow	**298**	**178**
Disposal of/(investment in) financial assets	186	(22)
Disposal of businesses and discontinued operations	–	(7)
Acquisition of businesses	(65)	–
Funding of charitable foundation	(1)	–
Other net cash-flows used in financing activities (note: repayment of lease liabilities is included in free cash-flow)	(230)	(909)
Net increase/(decrease) in cash and cash equivalents	**188**	**(760)**

29. Alternative performance measures and key performance indicators

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

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

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

APM term	Definition and purpose
Capital employed	Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows: – To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; – 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. It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.
Capital expenditure	Comprises additions to property, plant and equipment, capitalised development and other intangible assets, excluding assets acquired through business combinations: see note 1 for an analysis of capital expenditure. This measure quantifies the level of capital investment into ongoing operations.

APM term	Definition and purpose
Divisional headline operating profit (DHOP)	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.
Free cash-flow	Free cash-flow is calculated by adjusting the net cash inflow from operating activities to include capital expenditure, the repayment of lease liabilities, the proceeds from the disposal of property, plant and equipment and the investment in financial assets relating to operating activities 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 28.
Gross debt	Gross debt is total borrowings (bank, bonds and lease liabilities). It is used to provide an indication of the Group's overall level of indebtedness. See note 18 for an analysis of gross debt.
Headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This measure is used by the Group to measure and monitor performance excluding material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Headline EBITDA	EBITDA is a widely used profit measure, not defined by IFRS, being earnings before interest, taxation, depreciation and amortisation. A reconciliation of headline operating profit to headline EBITDA is shown in the note below.
Net debt	Net debt is total borrowings (bank, bonds and lease liabilities) less cash balances and derivatives used to manage the interest rate risk and currency profile of the debt. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. See note 18 for an analysis of net cash/(debt).
Non-headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This is used by the Group to measure and monitor material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Operating cash-flow	Comprises free cash-flow and excludes cash-flows relating to the repayment of lease liabilities, interest and taxation. The measure shows how cash is generated from operations in the Group. A reconciliation of operating cash-flow is shown in note 28.
Operating profit	Operating profit is earnings before finance costs and tax. A reconciliation of operating profit to profit before tax is shown on the income statement on page 135. This common measure is used by the Group to measure and monitor performance.
Return on capital employed (ROCE)	Smiths ROCE is calculated over a rolling 12-month period and is the percentage that headline operating profit represents of the monthly average capital employed on a rolling 12-month basis. This measure of return on invested resources is used to monitor performance and capital allocation within the Group. See below for Group ROCE and note 1 for divisional headline operating profit and divisional capital employed.

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

KPI term	Definition and purpose
Dividend cover – headline	Dividend cover is the ratio of headline earnings per share (see note 5) to dividend per share (see note 25). This commonly used measure indicates the number of times the dividend in a financial year is covered by headline earnings.
Earnings per share (EPS) growth	EPS growth is the growth in headline basic EPS (see note 5), on a reported basis. 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_2e per £m of revenue. This measure is used to monitor environmental performance.

KPI term	Definition and purpose
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 28.
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.
R&D cash costs as a % of sales	This measure is defined as the cash cost of research and development activities (including capitalised R&D, R&D directly charged to the P&L and customer-funded projects) as a percentage of revenue. Innovation is an important driver of sustainable growth for the Group and this measures our investment in research and development to drive innovation.
Recordable Incident Rate (RIR)	Recordable Incident Rate is calculated as the number of recordable incidents – where an incident requires medical attention beyond first aid – per 100 colleagues, per year across Smiths. This measure is used by the Group to monitor health and safety performance.

Capital employed

Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets adjusted to add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998 of £478m (FY2023: £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 2024 £m**	31 July 2023 £m
Net assets		**2,252**	**2,406**
Adjust for:			
Goodwill recognised directly in reserves		478	478
Retirement benefit assets and obligations	8	(29)	(89)
Tax related to retirement benefit assets and obligations		17	31
John Crane, Inc. litigation provisions and related tax	23	166	153
Titeflex Corporation litigation provisions and related tax	23	27	32
Investment in ICU Medical, Inc. equity	14	(47)	(347)
Deferred contingent consideration	14	–	(13)
Net debt	18	213	387
Capital employed		**3,077**	**3,038**

Return on capital employed (ROCE)

	Notes	**Year ended 31 July 2024 £m**	Year ended 31 July 2023 £m
Headline operating profit for previous 12 months – continuing operations		526	501
Average capital employed – continuing operations (excluding investment in ICU Medical, Inc. equity)	1	3,206	3,196
ROCE		**16.4%**	**15.7%**

Credit metrics

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

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

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Headline operating profit		526	501
Exclude:			
– depreciation of property, plant and equipment	12	44	42
– depreciation of right of use assets	13	34	32
– amortisation and impairment of development costs	10	2	2
– amortisation of software, patents and intellectual property	10	5	7
Headline EBITDA		**611**	**584**

Ratio of net debt to headline EBITDA

	Notes	Year ended 31 July 2024 £m	Year ended 31 July 2023 £m
Headline EBITDA		611	584
Net debt	18	213	387
Ratio of net debt to headline EBITDA		**0.3**	**0.7**

30. 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 post balance sheet date acquisitions are given in note 27.

31. 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 FY2024.

Company name	Company number
EIS Group Plc	61407
Flexibox International Limited	394688
Flex-Tek Group Limited	11545405
Graseby Limited	894638
SI Properties Limited	160881
SITI 1 Limited	4257042
Smiths Detection Group Limited	5138140
Smiths Detection Investments Limited	5146644
Smiths Finance Limited	7888063
Smiths Group Innovation Limited	10953689
Smiths Interconnect Group Limited	6641403
Smiths Pensions Limited	2197444

Unaudited Group financial record 2020–2024

		Year ended 31 July 2024 £m	Year ended 31 July 2023 £m	Year ended 31 July 2022 £m	Year ended 31 July 2021 £m	Year ended 31 July 2020 £m
Income statement metrics – headline*						
Continuing operations	Revenue	3,132	3,037	2,566	2,406	2,548
	Headline operating profit	526	501	417	372	327
	Headline profit before tax	488	466	376	332	278
Discontinued operations	Revenue	–	–	356	849	918
	Headline operating profit	–	–	66	177	184
	Headline profit before tax	–	–	65	176	180
Income statement metrics – statutory**						
Revenue		3,132	3,037	2,566	2,406	2,548
Operating profit		415	403	117	326	241
Profit before taxation		372	360	103	240	133
Profit for the year		251	232	1,035	285	267
Balance sheet metrics***						
Net debt		(213)	(387)	(150)	(1,018)	(1,141)
Shareholders' equity		2,230	2,384	2,699	2,402	2,373
Average capital employed		3,206	3,196	2,940	4,165	4,315
Ratios***						
Headline operating profit: revenue (%)		16.8	16.5	16.5	16.9	14.7
Headline effective tax rate (%)		25.0	26.0	27.2	27.1	26.2
Return on capital employed (%)		16.4	15.7	14.2	13.2	11.8
Return on shareholders' funds (%)		13.0	11.3	10.0	11.6	10.8
Cash-flow metrics***						
Headline operating cash		509	433	318	630	575
Headline operating cash conversion (%)		97	86	76	125	123
Free cash-flow		298	178	130	383	273
Free cash-flow per share (p)		86.4	51.0	35.9	96.6	68.9
Earnings per share***						
Headline earnings per share (p)		105.5	97.1	82.5	93.1	84.8
Dividends and dividend cover***						
Pence per share		43.75	41.60	39.60	37.70	35.00
Headline dividend cover		2.4	2.3	2.1	2.5	2.4

* The headline income statement metrics in the above five-year record have been presented to reflect the reclassification of the Smiths Medical business as a discontinued operation and the Group's current accounting policy of including restructuring and pension administration costs within headline profit.

** The statutory income statement metrics are presented based on continuing operations for both the current and comparative years.

*** Balance sheet metrics, ratios, cash-flow metrics, earnings per share, dividend cover and number of employees are presented based on both continuing and discontinued operations for all years.

Unaudited supplementary consolidated income statement – US dollar translation

	Year ended 31 July 2024 Headline $m	Year ended 31 July 2024 Non-headline (note 3) $m	Year ended 31 July 2024 Total $m	Year ended 31 July 2023 Headline $m	Year ended 31 July 2023 Non-headline (note 3) $m	Year ended 31 July 2023 Total $m
CONTINUING OPERATIONS						
Revenue	3,944	–	3,944	3,680	–	3,680
Operating costs	(3,282)	(140)	(3,422)	(3,073)	(119)	(3,192)
Operating profit/(loss)	**662**	**(140)**	**522**	**607**	**(119)**	**488**
Interest income	33	–	33	44	–	44
Interest expense	(81)	–	(81)	(86)	(8)	(94)
Other financing gains/(losses)	–	(14)	(14)	–	(10)	(10)
Other finance charges – retirement benefits	–	8	8	–	8	8
Finance costs	(48)	(6)	(54)	(42)	(10)	(52)
Profit/(loss) before taxation	**614**	**(146)**	**468**	**565**	**(129)**	**436**
Taxation	(154)	1	(153)	(147)	(16)	(163)
Profit/(loss) for the year	**460**	**(145)**	**315**	**418**	**(145)**	**273**
DISCONTINUED OPERATIONS						
Profit on discontinued operations	–	–	–	–	7	7
PROFIT/(LOSS) FOR THE YEAR	**460**	**(145)**	**315**	**418**	**(138)**	**280**
Profit/(loss) for the year attributable to:						
Smiths Group shareholders – continuing operations	459	(145)	314	417	(145)	272
Smiths Group shareholders – discontinued operations	–	–	–	–	7	7
Non-controlling interests	1	–	1	1	–	1
	460	**(145)**	**315**	**418**	**(138)**	**280**
EARNINGS PER SHARE						
Basic			91.1c			79.4c
Basic – continuing			91.1c			77.3c
Diluted			90.7c			78.9c
Diluted – continuing			90.7c			76.8c

Assets and liabilities have been translated into US dollars at the exchange rate at the date of that balance sheet and income, expenses and cash-flows are translated at average exchange rates for the period. This reflects the accounting approach that Smiths Group plc would use if the Group moved to reporting in US dollars without making any changes to its Group structure or financing arrangements.

Unaudited supplementary consolidated statement of comprehensive income – US dollar translation

	Year ended 31 July 2024 $m	Year ended 31 July 2023 $m
PROFIT FOR THE YEAR	315	280
Other comprehensive income (OCI):		
OCI which will not be reclassified to the income statement:		
Re-measurement of post-retirement benefits assets and obligations	(83)	(138)
Taxation on post-retirement benefits movements	21	39
Fair value movements on financial assets at fair value through OCI	(132)	(22)
	(194)	(121)
OCI which will be reclassified and reclassifications:		
Fair value gains/(losses) and reclassification adjustments:		
– deferred in the year on cash-flow and net investment hedges	5	15
– reclassified to income statement on cash-flow and net investment hedges	–	2
	5	17
Foreign exchange (FX) movements net of recycling:		
Exchange losses/(gains) on translation of foreign operations	(42)	(122)
Total other comprehensive income, net of taxation	**(231)**	**(226)**
TOTAL COMPREHENSIVE INCOME	**84**	**54**
Attributable to:		
Smiths Group shareholders	84	55
Non-controlling interests	–	(1)
	84	**54**

Unaudited supplementary consolidated balance sheet – US dollar translation

	31 July 2024 $m	31 July 2023 (restated) * $m
NON-CURRENT ASSETS		
Intangible assets	1,953	1,956
Property, plant and equipment	347	318
Right of use assets	141	135
Financial assets – other investments	68	477
Retirement benefit assets	169	251
Deferred tax assets	121	155
Trade and other receivables	123	96
	2,922	**3,388**
CURRENT ASSETS		
INVENTORIES	825	819
Current tax receivable	31	60
Trade and other receivables	1,060	993
Cash and cash equivalents	589	366
Financial derivatives	5	6
	2,510	**2,244**
TOTAL ASSETS	**5,432**	**5,632**
CURRENT LIABILITIES		
Financial liabilities		
– borrowings	(3)	(4)
– lease liabilities	(41)	(33)
– financial derivatives	(5)	(3)
Provisions for liabilities and charges	(96)	(90)
Trade and other payables	(980)	(930)
Current tax payable	(90)	(95)
	(1,215)	**(1,155)**
NON-CURRENT LIABILITIES		
Financial liabilities		
– borrowings	(685)	(687)
– lease liabilities	(117)	(117)
– financial derivatives	(17)	(23)
Provisions for liabilities and charges	(281)	(278)
Retirement benefit obligations	(132)	(136)
Current tax payable	–	(4)
Deferred tax liabilities	(41)	(88)
Trade and other payables	(52)	(51)
	(1,325)	**(1,384)**
TOTAL LIABILITIES	**(2,540)**	**(2,539)**
NET ASSETS	**2,892**	**3,093**

	31 July 2024 $m	31 July 2023 (restated) * $m
SHAREHOLDERS' EQUITY		
Share capital	167	168
Share premium account	469	469
Capital redemption reserve	32	31
Merger reserve	302	302
Retained earnings	2,130	2,337
Hedge reserve	(236)	(242)
TOTAL SHAREHOLDERS' EQUITY	**2,864**	**3,065**
Non-controlling interest equity	28	28
TOTAL EQUITY	**2,892**	**3,093**

* The comparatives have been restated after adoption of an amendment to IAS12 'Income Taxes', please see page 148 and note 6 for further information

Unaudited supplementary consolidated statement of changes in equity – US dollar translation

	Share capital and share premium $m	Other reserves $m	Retained earnings $m	Hedge reserve $m	Equity shareholders' funds $m	Non-controlling interest $m	Total equity $m
At 31 July 2023	637	333	2,337	(242)	3,065	28	3,093
Profit for the year	–	–	314	–	314	1	315
Other comprehensive income:							
– re-measurement of retirement benefits after tax	–	–	(62)	–	(62)	–	(62)
– FX movements net of recycling	–	–	(48)	1	(47)	(1)	(48)
– fair value gains/(losses) and related tax	–	–	(132)	5	(127)	–	(127)
Total comprehensive income for the year	**–**	**–**	**72**	**6**	**78**	**–**	**78**
Transactions relating to ownership interests:							
Purchase of shares by Employee Benefit Trust	–	–	(25)	–	(25)	–	(25)
Proceeds received on exercise of employee share options	–	–	5	–	5	–	5
Share buybacks	(1)	1	(88)	–	(88)	–	(88)
Dividends:							
– equity shareholders	–	–	(185)	–	(185)	–	(185)
Share-based payment	–	–	14	–	14	–	14
At 31 July 2024	**636**	**334**	**2,130**	**(236)**	**2,864**	**28**	**2,892**

	Share capital and share premium $m	Other reserves $m	Retained earnings $m	Hedge reserve $m	Equity shareholders' funds $m	Non-controlling interest $m	Total equity $m
At 31 July 2022	610	309	1,617	(246)	3,285	27	3,312
Profit for the year	–	–	279	–	279	1	280
Other comprehensive income:							
– re-measurement of retirement benefits after tax	–	–	(99)	–	(99)	–	(99)
– FX movements net of recycling	33	18	999	(13)	41	(1)	40
– fair value gains/(losses) and related tax	–	–	(22)	17	(4)	–	(4)
Total comprehensive income for the year	**33**	**18**	**1,157**	**4**	**217**	**–**	**217**
Transactions relating to ownership interests:							
Purchase of shares by Employee Benefit Trust	–	–	(29)		(29)		(29)
Share buybacks	(6)	6	(251)		(251)		(251)
Dividends:							
– equity shareholders	–	–	(173)		(173)	1	(172)
Share-based payment	–	–	16		16		16
At 31 July 2023	**637**	**333**	**2,337**	**(242)**	**3,065**	**28**	**3,093**

Unaudited supplementary consolidated cash-flow statement – US dollar translation

	Year ended 31 July 2024 $m	Year ended 31 July 2023 $m
Net cash inflow from operating activities	526	355
CASH-FLOWS FROM INVESTING ACTIVITIES		
Expenditure on capitalised development	(18)	(25)
Expenditure on other intangible assets	(5)	(8)
Purchases of property, plant and equipment	(86)	(64)
Disposals of property, plant and equipment	–	2
Income from financial assets	239	–
Acquisition of businesses	(82)	(27)
Proceeds on disposal of subsidiaries, net of cash disposed	–	(8)
Net cash-flow used in investing activities	**48**	**(130)**
CASH-FLOWS FROM FINANCING ACTIVITIES		
Share buybacks	(88)	(251)
Purchase of shares by Employee Benefit Trust	(25)	(29)
Proceeds received on exercise of employee share options	5	–
Settlement of cash-settled options	(3)	–
Dividends paid to equity shareholders	(185)	(173)
Receipt of capital from non-controlling interest	–	1
Lease payments	(49)	(44)
Reduction and repayment of borrowings	–	(639)
Cash inflow from matured derivative financial instruments	6	(11)
Net cash-flow used in financing activities	**(339)**	**(1,146)**
Net decrease in cash and cash equivalents	**235**	**(921)**
Cash and cash equivalents at beginning of year	366	1,285
Exchange differences	(12)	2
Cash and cash equivalents at end of year	**589**	**366**
Cash and cash equivalents at end of year comprise:		
– cash at bank and in hand	158	225
– short-term deposits	431	141
	589	**366**

Unaudited Group US dollar financial record 2020–2024

		Year ended 31 July 2024 $m	Year ended 31 July 2023 $m	Year ended 31 July 2022 $m	Year ended 31 July 2021 $m	Year ended 31 July 2020 $m
Income statement metrics – headline*						
Continuing operations	Revenue	3,944	3,680	3,377	3,264	3,216
	Headline operating profit	662	607	549	504	412
	Headline profit before tax	614	565	495	450	351
Discontinued operations	Revenue	–	–	468	1,152	1,159
	Headline operating profit	–	–	87	240	232
	Headline profit before tax	–	–	86	239	227
Income statement metrics – statutory**						
Revenue		3,944	3,680	3,377	3,264	3,216
Operating profit		522	488	154	442	304
Profit before taxation		468	436	135	325	169
Profit for the year		315	280	1,362	387	337
Balance sheet metrics***						
Net debt		(273)	(497)	(183)	(1,415)	(1,495)
Shareholders' equity		2,864	3,065	3,285	3,339	3,107
Average capital employed		4,038	4,109	3,578	5,790	5,652
Ratios***						
Headline operating profit: revenue (%)		16.8	16.5	16.5	16.9	14.7
Headline effective tax rate (%)		25.0	26.0	27.2	27.1	26.2
Return on capital employed (%)		16.4	15.7	14.2	13.2	11.8
Return on shareholders' funds (%)		13.0	10.9	9.9	12.2	10.6
Cash-flow metrics***						
Headline operating cash		641	525	829	855	726
Headline operating cash conversion (%)		97	86	76	125	123
Free cash-flow		375	216	171	520	345
Free cash-flow per share (c)		108.8	61.8	47.2	131.1	68.9
Earnings per share***						
Headline earnings per share (c)		132.9	117.7	108.6	126.3	107.0
Dividends and dividend cover***						
Cents per share (c)		55.1	50.4	52.1	51.1	44.2
Headline dividend cover		2.4	2.3	2.1	2.5	2.4

* The headline income statement metrics in the above five-year record have been presented to reflect the reclassification of the Smiths Medical business as a discontinued operation and the Group's current accounting policy of including restructuring and pension administration costs within headline profit.
** The statutory income statement metrics are presented based on continuing operations for both the current and comparative year.
*** Balance sheet metrics, ratios, cash-flow metrics, earnings per share, dividend cover and number of employees are presented based on both continuing and discontinued operations for all years.

Smiths Group plc Company accounts

Company balance sheet

	Notes	31 July 2024 £m	31 July 2023 £m
NON-CURRENT ASSETS			
Property, plant and equipment	2	3	–
Investments	3	2,439	2,431
Loans due from subsidiaries	3	–	2,447
Retirement benefit assets	10	132	195
		2,574	**5,073**
CURRENT ASSETS			
Trade and other receivables	5	155	67
Cash and cash equivalents	7	306	98
Financial derivatives	9	7	6
		468	**171**
TOTAL ASSETS		**3,042**	**5,244**
CURRENT LIABILITIES			
Trade and other payables	6	(159)	(2,180)
Financial derivatives	9	(7)	(6)
		(166)	**(2,186)**
NON-CURRENT LIABILITIES			
Borrowings	7	(549)	(557)
Loans due to subsidiaries		(103)	(5)
Provisions for liabilities and charges	8	–	(1)
Retirement benefit liabilities	10	(39)	(40)
Financial derivatives	9	(13)	(18)
		(704)	**(621)**
TOTAL LIABILITIES		**(870)**	**(2,807)**
NET ASSETS		**2,172**	**2,437**

	Notes	31 July 2024 £m	31 July 2023 £m
SHAREHOLDERS' EQUITY			
Called up share capital	11	130	131
Share premium account	11	365	365
Capital redemption reserve	11	25	24
Other reserves	11	181	181
Profit and loss account	11	1,471	1,736
TOTAL EQUITY		**2,172**	**2,437**

The Company's profit for the period was £5m (FY2023: £22m loss).

The accounts on pages 202 to 209 were approved by the Board of Directors on 23 September 2024 and were signed on its behalf by:

Roland Carter
Chief Executive Officer

Clare Scherrer
Chief Financial Officer

Smiths Group plc – registered number 137013

Company statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained profit £m	Shareholders' equity £m
At 31 July 2023	131	365	24	181	1,736	2,437
Profit for the year	–	–	–	–	5	5
Other comprehensive income:						
– re-measurement of retirement benefits	–	–	–	–	(64)	(64)
– taxation recognised on retirement benefits	–	–	–	–	16	16
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(43)**	**(43)**
Transactions with owners:						
Purchase of shares by Employee Benefit Trust	–	–	–	–	(20)	(20)
Proceeds received on exercise of employee share options	–	–	–	–	4	4
Shares purchased under a buyback programme	(1)	–	1	–	(70)	(70)
Dividends paid to equity shareholders	–	–	–	–	(147)	(147)
Share-based payment	–	–	–	–	11	11
Total transactions with owners recognised in equity	**(1)**	**–**	**1**	**–**	**(222)**	**(222)**
At 31 July 2024	**130**	**365**	**25**	**181**	**1,471**	**2,172**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained profit £m	Shareholders' equity £m
At 31 July 2022	136	365	19	181	2,205	2,906
Profit for the year	–	–	–	–	(22)	(22)
Other comprehensive income:						
– re-measurement of retirement benefits	–	–	–	–	(117)	(117)
– taxation recognised on retirement benefits	–	–	–	–	30	30
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(109)**	**(109)**
Transactions with owners:						
Purchase of shares by Employee Benefit Trust	–	–	–	–	(24)	(24)
Shares purchased under a buyback programme	(5)	–	5	–	(207)	(207)
Dividends paid to equity shareholders	–	–	–	–	(142)	(142)
Share-based payment	–	–	–	–	13	13
Total transactions with owners recognised in equity	**(5)**	**–**	**5**	**–**	**(360)**	**(360)**
At 31 July 2023	**131**	**365**	**24**	**181**	**1,736**	**2,437**

Company accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These accounts have been prepared on a going concern basis and under the historical cost convention modified to include revaluation of certain financial instruments, share options and pension assets and liabilities held at fair value.

As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement and statement of comprehensive income have not been presented. As permitted by Section 408(2), information about the Company's employee numbers and costs is not presented.

Going concern

The Directors are satisfied that the Group, (of which the Company is the holding company) has adequate resources to continue to operate for a period not less than 12 months from the date of approval of the financial statements and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting. Details of the going concern assessment for the Group are provided in the accounting policies note of the consolidated financial statements.

Exemptions from the requirements of IFRS applied in accordance with FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash-flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash-flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- The requirements of paragraphs 52 and 58 of IFRS 16 Leases.

Significant judgements, key assumptions and estimates

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

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

Sources of estimation uncertainty

Taxation

The Company has recognised deferred tax assets of £24m (FY2023: £40m) relating to revenue losses brought forward. The recognition of these assets requires management to make significant estimates as to the ability to recover them against the unwind of other tax positions and forecast UK taxable profits of the tax group. Further detail on the Company's deferred taxation position is included in note 4.

Retirement benefits

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

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

Significant judgements made in applying accounting policies

Taxation

As stated in the previous section 'Sources of estimation uncertainty', the Company has recognised deferred tax assets of £24m (FY2023: £40m) relating to revenue losses brought forward. The decision to recognise deferred tax assets requires judgement in determining whether the Company will be able to utilise historical tax losses in future periods. It has been concluded that there are sufficient taxable profits in future periods to support recognition.

Retirement benefits

At 31 July 2024 the Company has recognised £132m of retirement benefit assets (FY2023: £195m), which arises from the rights of the employers to recover the surplus at the end of the life of the scheme.

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

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Investments in and loans to Group companies

The Company's investments in shares in Group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises.

The recoverability of intercompany loans is assessed applying the methodology of IFRS 9 by looking at the credit quality of the subsidiary and any support available to the entity. These calculations require the use of estimates including projected future cash-flows and other future events. The application of the expected credit loss model has not had a material impact on the Company's loan receivables provisioning position.

Financial instruments

The policies disclosed in the Group accounting policies on pages 140 to 148 for recognition, measurement and presentation of financial instruments are applied in the Company accounts.

Taxation

Deferred tax is provided using the balance sheet liability method. A deferred tax asset is recognised where it is probable that future taxable income will be sufficient to utilise the available relief.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions

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

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

Retirement benefits

The Company has both defined benefit and defined contribution plans. The policies disclosed in the Group accounting policies on pages 140 to 148 for recognition, measurement and presentation of retirement benefits are applied in the Company accounts. Note 8 to the consolidated accounts explains the valuation basis for the Company's retirement benefit schemes assets and liabilities.

Share-based payment

The Company operates a number of equity-settled and cash-settled share-based compensation plans.

The fair value of the shares or share options granted is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the profit and loss account and the charge for grants to employees of other Group companies is recognised as an investment in the relevant subsidiary.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options that are likely to vest.

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

Dividends

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

Intra-group financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be in the scope of IFRS 9 and accounts for them as such. Financial guarantee contracts issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Notes to the Company accounts

1. Audit fee and Directors' emoluments

The audit fee paid to KPMG LLP for the Parent Company was £0.1m (FY2023: £0.1m).

Directors' emoluments in the year amounted to £5m (FY2023: £7m). Further information for the Executive Directors is available in the single figure remuneration table on page 101. Further information for the Non-executive Directors is available in the single figure remuneration table on page 107.

2. Property, plant and equipment

	Fixtures and fittings £m
Cost or valuation	
At 31 July 2022	–
At 31 July 2023	**–**
Additions	3
At 31 July 2024	**3**
Depreciation	
At 31 July 2022	–
Charge for the year	–
At 31 July 2023	–
Charge for the year	–
At 31 July 2024	**–**
Net book value at 31 July 2024	**3**
Net book value at 31 July 2023	–
Net book value at 31 July 2022	–

3. Investments and loans due from subsidiaries

	Shares in subsidiary undertakings £m	Loans due from subsidiaries £m	Total £m
Cost or valuation			
At 31 July 2022	**2,427**	**562**	**2,989**
Foreign exchange rate movements	–	(16)	(16)
Contribution through share options	9	–	9
Increase in advances due from subsidiaries	–	1,902	1,902
At 31 July 2023	**2,436**	**2,448**	**4,884**
Foreign exchange rate movements	–	(2)	(2)
Contribution through share options	8	–	8
Decrease in advances due from subsidiaries	–	(2,445)	(2,445)
At 31 July 2024	**2,444**	**1**	**2,445**
Provision for impairment			
At 31 July 2022, 31 July 2023 and 31 July 2024	**(5)**	**(1)**	**(6)**
Net book value at 31 July 2024	**2,439**	**–**	**2,439**
Net book value at 31 July 2023	2,431	2,447	4,878
Net book value at 31 July 2022	2,422	561	2,983

Loans due to subsidiaries are offset against loans due from subsidiaries only to the extent that there is a legal right of set-off. At 31 July 2024 £2,303m of loans receivable are offset against loans payable (FY2023: £nil). The Company has large offsetting loan balances because it uses loans to reduce its foreign currency exposures and separately monitor net cash generated from trading activities.

The Company's subsidiaries are largely held according to business lines by the following holding companies, which are incorporated in England:

Smiths Group International Holdings Limited
Smiths Detection Group Limited
John Crane Group Limited
Flex-Tek Group Limited
Smiths Interconnect Group Limited

The principal subsidiaries and their countries of incorporation are:

England
Smiths Detection – Watford Ltd
John Crane UK Limited
Smiths Group International Holdings Limited

Other
Smiths Detection Germany GmbH (Germany)
Smiths Detection (Asia-Pacific) Pte Ltd (Singapore)
John Crane Middle East FZE (UAE)
John Crane Technology (Tianjin) Co Limited (China)
John Crane Saudi Arabia Ltd (Saudi Arabia)
John Crane Canada Inc (Canada)

United States
Smiths Detection, Inc.
John Crane, Inc.
Titeflex Corporation
Flexible Technologies, LLC
Tutco, LLC
Royal Metal Products, LLC
Smiths Interconnect Americas, Inc.
Smiths Interconnect, Inc.
Kreisler Manufacturing Corp
Smiths Tubular Systems – Laconia Inc.

Of the companies above, Smiths Group International Holdings Limited is 100% owned directly by the Company. The others are 100% owned through intermediate holding companies. Shareholdings are of ordinary shares or common stock. All of the above subsidiaries operate in their country of incorporation.

See pages 210 to 216 for a complete list of subsidiary undertakings.

4. Deferred tax assets and liabilities

The Company has recognised the following deferred tax assets and liabilities:

	Share-based payment £m	Retirement benefit obligations £m	Losses carried forward £m	Other £m	Total £m
At 31 July 2022	**–**	**(66)**	**66**	**–**	**–**
(Charge)/credit to income statement	–	(4)	(26)	–	(30)
Charge to equity	–	30	–	–	30
At 31 July 2023	**–**	**(40)**	**40**	**–**	**–**
(Charge)/credit to income statement	–	–	(16)	–	(16)
Charge to equity	–	16	–	–	16
At 31 July 2024	**–**	**(24)**	**24**	**–**	**–**

The Company is part of a UK tax group including all its UK-based subsidiaries. The Company has recognised deferred tax assets of £24m (FY2023: £40m) relating to revenue losses carried forward. The recognition of these assets is dependent on the ability to recover them against the unwind of other tax positions and forecast of the UK tax group. The treatment of these assets is reviewed regularly.

At 31 July 2024 the Company has unrecognised deferred tax assets of £75m (FY2023: £54m) relating to losses £72m (FY2023: £51m), share-based payments £1m (FY2023: £1m) and other £2m (FY2023: £2m).

Deferred tax has been calculated at a rate of 25% in both the current and prior years.

5. Trade and other receivables

	31 July 2024 £m	31 July 2023 £m
Amounts owed by subsidiaries	147	66
Other receivables	8	1
	155	**67**

6. Trade and other payables

	31 July 2024 £m	31 July 2023 £m
Amounts owed to subsidiaries	136	2,162
Other creditors	6	5
Accruals and deferred income	17	13
	159	**2,180**

7. Borrowings and net debt

	31 July 2024 £m	31 July 2023 £m
Cash at bank	4	20
Short-term deposits	302	78
Cash and cash equivalents	**306**	**98**
Lease liabilities falling due within one year	–	–
Lease liabilities falling due after one year	–	–
Term loans falling due within one year	–	–
Term loans falling due after one year	(549)	(557)
Borrowings	**(549)**	**(557)**
Net debt	**(243)**	**(459)**

Term loans and lease liabilities

The currency and coupons for the term loans are disclosed in note 18 of the Group accounts.

	31 July 2024 £m	31 July 2023 £m
Less than one year	–	–
Between one and two years	–	–
Between two and five years	549	557
Greater than five years	–	–
Smiths Group plc term loans and lease liabilities	**549**	**557**

See the liquidity risk disclosures in note 19 in the Group accounts for information on the cash and borrowing facilities available to the Group. Smiths has revolving credit facilities of US$800m maturing on 5 May 2029.

8. Provisions for liabilities and charges

	At 31 July 2023 £m	Charged against profit £m	Utilisation £m	At 31 July 2024 £m
Disposals	1	(1)	–	–

The disposal provision related to warranties and other obligations in respect of a past disposal.

9. Derivatives

The tables below set out the nominal amount and fair value of derivative contracts held by the Company:

	At 31 July 2024			
		Fair value		
	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (not hedge accounted)	843	7	(7)	–
Cross-currency swaps (fair value and net investment hedges)	248	–	(13)	(13)
Total financial derivatives	**1,091**	**7**	**(20)**	**(13)**
Balance sheet entries				
Comprising:				
Non-current		–	(13)	(13)
Current		7	(7)	–
Total financial derivatives		**7**	**(20)**	**(13)**

	At 31 July 2023			
		Fair value		
	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Net £m
Foreign exchange contracts (not hedge accounted)	647	6	(6)	–
Cross-currency swaps (fair value and net investment hedges)	247	–	(18)	(18)
Total financial derivatives	**894**	**6**	**(24)**	**(18)**
Balance sheet entries				
Comprising:				
Non-current		–	(18)	(18)
Current		6	(6)	–
Total financial derivatives		**6**	**(24)**	**(18)**

Derivatives, including forward exchange contracts, currency swaps, interest rate instruments and embedded derivatives are Level 2 fair value instruments and are valued at the net present value of the future cash-flows calculated using market data at the balance sheet date (principally exchange rates and yield curves).

The credit to the income statement arising from change in fair value in the year was £9m (FY2023: £16m debit).

10. Post-retirement benefits

The Company is the principal employer for the two major defined benefit plans in the UK. The Company is accounting for all the UK defined benefit schemes (funded and unfunded) and virtually all of the post-retirement healthcare schemes.

The retirement benefit assets and liabilities comprise:

	31 July 2024 £m	31 July 2023 £m
Market value of scheme assets	2,372	2,367
Present value of funded scheme liabilities	(2,229)	(2,156)
Surplus restriction	(11)	(16)
Surplus	132	195
Unfunded pension plans	(37)	(37)
Post-retirement healthcare	(2)	(3)
Present value of unfunded obligations	(39)	(40)
Net pension asset	**93**	**155**
Comprising:		
Retirement benefit assets	132	195
Retirement benefit liabilities	(39)	(40)
Net pension asset	**93**	**155**

See the disclosures for UK schemes in note 8 to the consolidated accounts for the circumstances of the major schemes, risk management, principal assumptions, assets and liabilities and the funding position of the two major schemes.

11. Share capital and reserves

Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares of 37.5p each			
Total share capital at 31 July 2022	362,356,159	136	
Shares purchased under a buyback programme	(13,053,169)	(5)	(207)
Total share capital at 31 July 2023	349,302,990	131	
Shares purchased under a buyback programme	(4,205,196)	(1)	(70)
Total share capital at 31 July 2024	**345,097,794**	**130**	

At 31 July 2024, all of the issued share capital was in free issue. All issued shares are fully paid. See note 9 to the consolidated accounts for information about share schemes, including total shares under options and options exercisable at the balance sheet date.

Smiths Employee Benefit Trust

The retained earnings include the purchase of Smiths Group plc shares by Smiths Employee Benefit Trust (EBT). The EBT holds shares pending employees becoming entitled to them under the Company's share schemes and plans. The consideration paid was £20m (2023: £25m) and £4m (2023: £1m) was received as a result of employees exercising share options under the SAYE scheme. At 31 July 2024 the Trust held 1,388,730 (2023: 1,742,929) ordinary shares.

Distributable profits

Smiths Group plc, the Parent Company of the Group, holds investments in subsidiaries and operates as a financing entity for the Group. Its profits are derived from dividend receipts, royalties, corporate recharges, and loan interests from its subsidiary companies. Prior to the declaration of interim and final dividends to shareholders, the Board conducts a review of the level of distributable profits of the Parent Company. This ensures the profits provide sufficient coverage for dividend payments; see note 26 in the Group accounts for a discussion of capital management and the factors which the Board considers when proposing dividends.

In accordance with the UK Companies Act 2006 Section 831(1), a public company may only make a distribution if, after fulfilling this distribution, the amount of its net assets is not less than the aggregate of its called-up share capital and non-distributable reserves as it appears in the relevant accounts. The Company establishes what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 02/17BL and the requirements of UK law.

Profits available for distribution at 31 July 2024 and 31 July 2023 were comprised as follows:

	2024 £m	2023 £m
Net assets	2,172	2,437
Less:		
Issued share capital	(130)	(131)
Share premium	(365)	(365)
Capital redemption reserve	(25)	(24)
Other non-distributable reserves	(1,069)	(1,054)
Distributable profits	**583**	**863**

Other reserves

Other reserves arose from the cancellation of the share premium arising from an equity-funded acquisition in the year ended 30 July 1988.

Differential between consolidated and Parent Company net assets

The Group's consolidated balance sheet shows net assets that are £80m greater (FY2023: £31m lower) than the net assets shown on the Parent Company's balance sheet. The previous deficit principally arose in 2007 when the Group returned £2.1bn of capital to shareholders, creating a net asset deficit of £1.9bn. Earnings retained within the Group have subsequently reduced this deficit.

12. Contingent liabilities

The Company has arranged letter of credit facilities to support the Group's pension plans. The current amount outstanding under letters of credit is £44m (FY2023: £56m).

The Company has guaranteed the US$800m revolving credit facility available to a subsidiary.

13. Post balance sheet event

Details of the proposed final dividend announced since the end of the reporting period are given in note 25 to the Group consolidated financial statements.

Subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006 a full list of the Smiths Group plc's related undertakings, the address and effective percentage owned by Smiths Group, as at 31 July 2024 are disclosed below. The percentage held is 100% unless another holding is stated. Related undertakings include subsidiaries, associated undertakings, joint ventures and associates.

Wholly owned subsidiaries (direct ownership)

Name	Security	Address
CVE TRUSTEE LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
EIS GROUP PLC	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FLIGHTSPARES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
GRASEBY LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
ROOF UNITS (GROUP) LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
S.I. PENSION TRUSTEES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SI PROPERTIES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS AEROSPACE COMPONENTS TYSELEY LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS DETECTION LIMITED	Ordinary	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS GROUP INTERNATIONAL HOLDINGS LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS HEIMANN LIMITED	Ordinary	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS INDUSTRIES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS NOMINEES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS PENSIONS LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI CORPORATE SERVICES LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TI PENSION TRUSTEE LIMITED	Units	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TIGRUP NO. 7 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
XDG LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England

Wholly owned subsidiaries (indirect ownership)

Name	Security	Address
AIR LOG LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
AMNITEC B.V.	Ordinary	Abraham van Stolkweg 118, Rotterdam, 3041 JA, Netherlands
AMNITEC HOSE LIMITED	Ordinary	Abercanaid, Merthyr Tydfil, Mid Glamorgan, CF48 1UX
AMNITEC LIMITED	Ordinary	Abercanaid, Merthyr Tydfil, Mid Glamorgan, CF48 1UX
ANTARES ADVANCED TEST TECHNOLOGIES (SUZHOU) CO. LTD	Ordinary	No. 14 Unit, No. 78, XingLin Road, Suzhou Industrial Park, Suzhou, 215026, China
ASSET AND INTELLIGENCE MANAGEMENT SERVICES, LLC	Ordinary	THE CORPORATION TRUST COMPANY, 1209 ORANGE STREET, WILMINGTON, DE, 19801, United States
CHANGSHU FLEX-TEK THERMAL FLUID SYSTEMS MANUFACTURER CO. LTD	Ordinary	No. 7, Factory Building, Maqiao Industrial Square, Changshu Economic Development Zone, Changshu, Jiangsu, 215536, China
DETECTION TECHNOLOGIES EGYPT	Ordinary	Nile City Towers, North Tower, 22nd Floor, Ramlet Boulaq, Nile Cournich, Cairo, Egypt
FLEXIBLE DUCTING MALAYSIA SDN BHD	Redeemable	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400, Kuala Lumpar, Malaysia
FLEXIBLE DUCTING, LIMITED	Ordinary	29 DUNSINANE AVENUE, DUNDEE, DD2 3QF, Scotland
FLEXIBLE TECHNOLOGIES (CANADA) LTD	Ordinary	4610, Eastgate Parkway, Unit 3, Mississauga, ON, L4W 3W6, Canada
FLEXIBLE TECHNOLOGIES, LLC	Ordinary	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801, United States
FLEXIBOX INTERNATIONAL LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
FLEXIBOX PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia
FLEXSCHLAUCH PRODUKTIONS GMBH	Ordinary	Reepschlager Str., 10b, Lubeck, 23556, Germany
FLEX-TEK GROUP (US) LLC	Units	500, Gould Drive, Cookeville, TN 38506, United States
FLEX-TEK GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FRANCIS SHAW AND COMPANY (MANCHESTER) LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FRANCIS SHAW P L C	Ordinary, Pref, Dif	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
FULTON BELLOWS LLC	Ordinary	2801 Red Dog Lane, Knoxville, TN, TN 37914, United States
GASTITE SYSTEMS DEUTSCHLAND GMBH	Ordinary	Gewerbestraße 12, Graben, 86836, Germany
GASTITE SYSTEMS LIMITED	Ordinary	Amnitec, Abercanaid, Merthyr Tydfil, CF48 1UX, England & Wales
HABIA TEKNOFLUOR AB	Ordinary	Habia Teknofluor AB, Knivsta, 74180, Sweden
HERKULES HOLDING GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
HUAFENG SMITHS INTERCONNECT (SICHUAN) CO., LTD. HONG KONG BRANCH	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
HYPERTAC GMBH	Ordinary	ULRICHSBERGER STRASSE 17, DEGGENDORF, 94469, Germany
HYPERTAC LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
HYPERTAC S.A.	Ordinary	31 RUE ISIDORE MAILLE, SAINT-AUBIN-LES-ELBEUF, 76410, France
HYPERTAC SPA	Ordinary	VIA DA BISSONE 7A, GENOVA, 16153, Italy
INDUFIL BV	Ordinary	Rijnpoort, Groningensingel 1,6835 EA Arnhem, Netherlands, 6835
INDUSTRIAS JOHN CRANE MEXICO SA DE CV	Ordinary	679, PONIENTE 152, VALLEJO DELEGACION AZCAPOTZALCO, MEXICO CITY, MEXICO, 2300
JOHN CRANE (ANGOLA) PRESTACAO DE SERVICES LTD	Ordinary	Rue Kwamme Nkrumah, Torres Impor-Africa, 3 Andar, APT A, Luanda, Angola
JOHN CRANE (IRELAND) LIMITED	Ordinary	T53/54, Shannon Industrial Estate, Shannon, Co. Clare, Ireland
JOHN CRANE (SWITZERLAND) AG	Ordinary	Hohenrainstrasse 10, 4133 Pratteln, Switzerland
JOHN CRANE (THAILAND) LIMITED	Ordinary	9/311, 31st FLOOR, UM TOWER, RAMKHAMHAENG ROAD, SUANLUANG DISTRICT, BANGKOK, THAILAND
JOHN CRANE A.S.	Ordinary	JANA SIGMUNDA 78, LUTIN, 783 49, Czech Republic
JOHN CRANE ARGENTINA SA	Ordinary	AV. LEANDRO N. ALEM 1110, 13 FLOOR, Baker Mackenzie Office, BUENOS AIRES, Argentina
JOHN CRANE ASSET MANAGEMENT SOLUTIONS LIMITED	Ordinary	5th Floor, No 1 Exchange, Market Street, Aberdeen, Scotland

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
JOHN CRANE AUSTRALIA PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia
JOHN CRANE AUSTRALIA PTY LTD (NEW ZEALAND BRANCH)	Ordinary	1/180 Montgomerie Road, Airport Oaks, Auckland, 2022, New Zealand
JOHN CRANE BAKU LLC	Ordinary	32, Dostluq Street, Salyan Highway PO Box AZ1023, Baku, Azerbaijan
JOHN CRANE BELGIUM NV	Ordinary	Glasstraat 37, Antwerpen, 2170, Belgium
JOHN CRANE CANADA INC	Ordinary	423, GREEN NORTH ROAD, STONEY CREEK, ONTARIO, L8E 3A1, Canada
JOHN CRANE CARIBE LTD	Ordinary	654 Plaza, Suite #933, 654 Munoz Rivera Ave, San Juan, Puerto Rico, 00918
JOHN CRANE CHILE SA	Ordinary	AMERICO VESPUCIO 2542, COMPLEJO EMPRESARIAL EL CORTIJO, CONCHALI, SANTIAGO, Chile
JOHN CRANE CHINA CO LIMITED	Ordinary	Room 1668, No. 14F Floor 3 Datong Building, Huanghe Avenue, Nankai District, Tianjin, China
JOHN CRANE COLOMBIA SA	Ordinary	CALLE 46A NO 82-54 INT 14, PARQUE EMPRESARIAL SAN CAYETANO, BOGOTA, Colombia
JOHN CRANE DOMINICANA SA	Ordinary	CALLE EL RECODO, #2 BELLA VISTA, SANTA DOMINGO, Dominican Republic
JOHN CRANE EGYPT LLC	Ordinary	139, Mogamaa El Masanea Street, El Amireya, CAIRO, EGYPT
JOHN CRANE EGYPT SEALING SYSTEMS LLC	Ordinary	139, Mogamaa El Masanea Street, El Amireya, CAIRO, EGYPT
JOHN CRANE ENDÜSTRİYEL SIZDIRMAZLIK SİSTEMLERİ LİMİTED ŞİRKETİ İZMİR ŞUBESİ (TURKEY BRANCH)	Ordinary	İstanbul Sarıyer, Huzur Mahallesi, Ahmet Bayman Caddessi, Dis, Reklamcılık Apt No:17-19/1
JOHN CRANE ENDUSTRIYEL SIZDIRMAZLIK SISTEMLERI LTD	Ordinary	Sok. No:41-43, Ferhat Paşa Mah. 25., Ataşehir/İST, 34888
JOHN CRANE FILTRATION TECHNOLOGIES GMBH	Ordinary	Am Zirkus 2, Berlin, 10117, Germany
JOHN CRANE FRANCE SAS	Ordinary	114, RUE JULES FERRY, B.P.35, DEVILLE-LES-ROUEN, 76250, France
JOHN CRANE GMBH	Ordinary	WERNER – VON – SIEMENS – STR.6, FULDA, 36041, Germany
JOHN CRANE GMBH (AUSTRIA BRANCH)	Ordinary	Poststrasse 12, Pasching, 4061, Austria
JOHN CRANE GROUP LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
JOHN CRANE HELLAS – ENGINEERED SEALING SYSTEMS MONOPROSOPI EPE	Ordinary	3 STRATIGOU TOBRE STREET, Municipality of Agia Paraskevi, ATHENS, 153 42, Greece
JOHN CRANE HOLLAND BV	Ordinary	BERGEN 9 – 17, BARENDRECHT, ZUID, 2993LR, Netherlands
JOHN CRANE HUNGARY KFT	Ordinary	2040, 2040 BUDAORS, GYAR U. 2, Hungary
JOHN CRANE IBERICA SA	Ordinary	CEMENTO 1, TORREJON DE ARDOZ, MADRID, Spain
JOHN CRANE IBERICA SA (PORTUGAL BRANCH)	Ordinary	7, LJ3, Rua Jose Martinho Santos 7 LJ3, Quinta da Omnia, Alverca do Ribatejo, 2615-385, Lisbon, 2615-385, Portugal
JOHN CRANE INC	Ordinary, Preference	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
JOHN CRANE INVESTMENTS LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
JOHN CRANE ITALIA SPA	Ordinary	VIA GIOTTO 3, MUGGIO, 20835, Italy
JOHN CRANE KAZAKHSTAN	Units	Atyrau Region, Gatyrau, Station K Arabathan, House Production Site 14, 060000, Kazakhstan
JOHN CRANE KOREA CO LTD	Ordinary	Migeundong, WestgateTower 15F, 70 Chungjeong-ro, SEODAEMUN-GU, SEOUL, Korea (the Republic of)
JOHN CRANE KOREA CO. LTD. (YEOSU SERVICE CENTER BRANCH OFFICE)	Ordinary	70, Chungjeong-ro, Seodaemun-gu, Seoul, Republic of Korea
JOHN CRANE KOREA CO., LTD (DAESAN SERVICE CENTER BRANCH OFFICE)	Ordinary	15F Westgate Tower, 70 Chungjeongro, Seodaemun-gu, Seoul, Korea (the Republic of)
JOHN CRANE MALAYSIA SDN. BHD.	Ordinary	Level 11, Menara LGB, 1, Jalan Wan Kadir Taman Tun Dr Ismail, 60000 Kuala Lumpur, WPKL, Malaysia
JOHN CRANE MIDDLE EAST FZE	Ordinary	S20113, JEBEL ALI FREE ZONE, DUBAI, 61040
JOHN CRANE MIDDLE EAST FZE – IVORY COAST BRANCH	Ordinary	Société Ivoirienne de raffinage, Route de Vridi – Bd de Petit Bassam, ABIDJAN 01 Côte d'Ivoire, 01- B.P. 1269
JOHN CRANE MIDDLE EAST FZE – SOUTH AFRICA BRANCH	Ordinary	2, JANSEN ROAD, NETFIELD, SPRINGS, GUATENG, 1500, South Africa
JOHN CRANE PERU SAC	Ordinary	Av. Guillermo Dansey 2124, Urbanizacion Industrial Conde, Lima, Peru
JOHN CRANE POLAND SP Z O.O.	Ordinary	1327, ul. Bielska, Poland, 43-374 Buczkowi
JOHN CRANE SAFEMATIC OY	Ordinary	PO BOX 10, PUNASILLANTIE 15, MUURAME, 40950, Finland
JOHN CRANE SAUDI ARABIA LTD	Ordinary	DAMMAM INDUSTRIAL CITY, DAMMAM, SAUDI ARABIA, 3243

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
JOHN CRANE SEALING SYSTEMS INDIA PRIVATE LIMITED	Ordinary	No. 11, 1ST PHASE, PEENYA, INDUSTRIAL AREA, BANGALORE, 560058, India
JOHN CRANE SINGAPORE PTE LIMITED	Ordinary	6 Shenton Way, OUE Downtown #26-00, Singapore (068809)
JOHN CRANE SLOVAKIA SRO	Ordinary	Dvorákovo nábrežie 10, Bratislava – mestská cast Staré Mesto, 811 02, Slovakia
JOHN CRANE SOCIEDAD DE RESPONSIBILIDAD LIMITADA DE CAPITAL VARIABLE	Ordinary	CARRETERA CIUDAD VICTORIA MATAMOROS, KM.173+600, SOLONIA SAN FERNANDO CENTRO, TAMAULIPAS, SAN FERNANDO, CP 87600, Mexico
JOHN CRANE SVERIGE AB	Ordinary	FALTSPATSGATAN 4, SE-421 30 VASTRA FROLUNDA, Sweden
JOHN CRANE SVERIGE AB (DENMARK BRANCH)	Ordinary	Svalehojvej 3, Olstykke, DK-3650, Denmark
JOHN CRANE SVERIGE AB (NORWAY BRANCH)	Ordinary	Skvadronveien 27, Sola, N-4050, Norway
JOHN CRANE TAIWAN CO LTD.	Ordinary	324-4, FONG-JEN ROAD, Renwu District, KAOHSIUNG CITY 814, Taiwan (Province of China)
JOHN CRANE TECHNOLOGY (TIANJIN) CO LIMITED	Ordinary	No.9, No. 1, Haitai Huake Road, Huayuan Industrial District (Outside the ring(, Binhai Hi-Tech, Industrial Park, Tianjin, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO LIMITED (DALIAN BRANCH)	Ordinary	1F, No.39-13-9, Gangxing Street, Dalian Economic and Technological Development Zone
JOHN CRANE TECHNOLOGY (TIANJIN) CO LIMITED (DUSHANZI BRANCH)	Ordinary	No.13-6 & 13-14, Cuijing Commercial Street, Changling Road, Xinjiang, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO LIMITED (LANZHOU BRANCH)	Ordinary	No. 38-1, 2nd floor, 1st Area, Minxing Building Material Market, Yizhilu Road, Xigu District, Lanzhou, Gansu, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO. LTD (CHENGDU BRANCH)	Ordinary	No. 98-104, Tiaolusi East Road, Tianpengzhen, Pengzhou, Sichuan Province, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO. LTD. (HUIZHOU BRANCH)	Ordinary	Building B, Weiji Industrial Park, Xiayong Nankeng, Dayawan, Huizhou, Guangdong Province, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO. LTD. (JINZHOU BRANCH)	Ordinary	No. 23-125 & 126, Xingye Yangguang, Shiyinli, Guta District, Jinzhou, Liaoning Province, China
JOHN CRANE TECHNOLOGY (TIANJIN) CO. LTD. (NANJING BRANCH)	Ordinary	No.268 & 270& 272, Dachang Xinhua East Road, Liuhe District, Nanjing, Jiangsu Province, China
JOHN CRANE UK LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
JOHN CRANE VENEZUELA CA	Ordinary	Carretera Vía a Perijá, Km 8 ½, Avenida 50, Local N° 185-72, Zona Industrial El Silencio, MARACAIBO, 4001, Venezuela
KREISLER INDUSTRIAL CORP	Ordinary	180 Van Riper Avenue, Elmwood Park, NJ, NJ 07407, United States
KREISLER MANUFACTURING CORP	Ordinary	180 Van Riper Avenue, Elmwood Park, NJ, NJ 07407, United States
LAKES REGION TUBULAR PRODUCTS INC.	Ordinary	51 Growth Road, Laconia, NH, 03246, United States
LLC JOHN CRANE RUS	Ordinary	B.SAVVINSKY PER, D.11, MOSCOW, 119435, Russian Federation
MDII INVESTMENTS LLC	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Plas2 LLC	Units	2601, Texas Drive, Irving, TX, 75062
Plastronics Asia Pte. Ltd.	Ordinary	450, ALEXANDRA ROAD #05-02, SINGAPORE, 119960
Plastronics H-Pin, Ltd	Units	2601, Texas Drive, Irving, TX, 75062
Plastronics Socket Partners, Ltd	Ordinary	2601, Texas Drive, Irving, TX, 75062
PLENTY INDIA LIMITED	Ordinary	D-196 Okhla Industrial Area, Phase-1, New Dehli, 110020, India
PROJECT SUGAR LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
ROYAL METAL PRODUCTS, LLC	Ordinary	100 ROYAL WAY, TEMPLE, GEORGIA, 30179, United States
SEEBACH FILTER SOLUTIONS INDIA PVT. LTD.	Ordinary	Shirwal, Maharashtra 412801, India
SEEBACH GMBH	Ordinary	Neckarweg 3, Vellmar, 34246, Germany
SITI 1 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS (SHANGHAI) MANAGEMENT CO., LTD.	Ordinary	3rd and 4th Floor, No. 1, Lane 65, Huanlong Road, Pudong New District, Shanghai, China
SMITHS AEROSPACE GLOUCESTER LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS BRASIL LTDA	Ordinary	INDUSTRIAL DISTRICT OF THE CITY OF RIO CLARO, STATE OF SAO PAULO, AV. BRASIL NUMBER 4.700, CEP 13505-600, Brazil
SMITHS BUSINESS INFORMATION SERVICES LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
SMITHS BUSINESS INFORMATION SERVICES, INC.	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS CONNECTORS ASIA PTE. LTD.	Ordinary	450, ALEXANDRA ROAD #05-02, SINGAPORE, 119960
Smiths Connectors Asia Pte. Ltd. Korea Branch	Units	707-ho, 42, Cheongnyong 1-gil, Gwanak-gu, Seoul
SMITHS CONNECTORS TUNISIA SARL	Ordinary	ZONE INDUSTRIELLE ROUTE DE KHNISS, MONASTIR, 5000, Tunisia
SMITHS DETECTION (ASIA PACIFIC) PTE LTD (INDIA BRANCH)	Ordinary	Vardhman Crown Mall, Unit No. 300 3rd Floor, Sector 19 Dwarka, New Delhi, India, 110075
SMITHS DETECTION (ASIA PACIFIC) PTE. LTD	Ordinary	450, Alexandra Road, #05-02 UE Bizhub, West Singapore, Singapore
SMITHS DETECTION (ASIA PACIFIC) PTE. LTD (KOREA BRANCH)	Ordinary	Rm #2183, Passenger Terminal 1, Incheon International Airport, Gonghangro 272, Jung-gu, Incheon, 22382, Korea (the Republic of)
SMITHS DETECTION (AUSTRALIA) PTY LIMITED	Ordinary	BOTANY GROVE ESTATE' UNIT 5 , 14A BAKER STREET , BOTANY NSW 2019
SMITHS DETECTION (THAILAND) LIMITED	Ordinary, Preference	99/3 Moo 5, Kingkaew Road, Tambol Rajatheva, Amphoe Bangplee, Samutprakarn Province, 10540, Thailand
SMITHS DETECTION BENELUX B.V.	Ordinary	BERGEN 9 – 17, BARENDRECHT, ZUID, 2993LR, Netherlands
SMITHS DETECTION FRANCE SAS	Ordinary	36 Rue Charles Heller, Vitry sur Seine, F-94400, France
SMITHS DETECTION GERMANY GMBH	Ordinary	Im Herzen 4, Wiesbaden, 65205, Germany
SMITHS DETECTION GERMANY GMBH (JAPAN BRANCH)	Ordinary	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
SMITHS DETECTION GERMANY GMBH (QATAR BRANCH)	Ordinary	40 Ad Dawhah al Jadidah, Al Murshid, 230, Ad Dawhah al Jadidah Doha, Qatar
SMITHS DETECTION GMBH	Ordinary	Im Herzen 4, Wiesbaden, 65205, Germany
SMITHS DETECTION GROUP LIMITED	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS DETECTION HONG KONG LIMITED	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
SMITHS DETECTION INC.	Ordinary	THE CORPORATION TRUST COMPANY OF NEVADA, 701 S Carson Street, SUITE 200, Carson City, NV, 89701, United States
SMITHS DETECTION INTERNATIONAL LLC (ISRAEL BRANCH)	Ordinary	6, MEYTAV St, TEL-AVIV, 6789805, Israel
SMITHS DETECTION INTERNATIONAL, LLC	Equity Interest	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS DETECTION INVESTMENTS LIMITED	Ordinary	c/o Smiths Detection-Watford Limited, Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS DETECTION IRELAND LIMITED	Ordinary	Deloitte Offices, 6 Lapps Quay, Cork, Ireland
SMITHS DETECTION ITALIA SRL	Ordinary	VIA GIOTTO 3, MUGGIO, 20835, Italy
Smiths Detection Kuwait Security Devices and Systems, their Installation and Maintenance (LLC)	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England*
SMITHS DETECTION MALAYSIA SDN BHD	Redeemable	Level 11, Menara LGB, 1, Jalan Wan Kadir Taman Tun Dr Ismail, 60000 Kuala Lumpur, WPKL, Malaysia
SMITHS DETECTION MEXICO S. DE RL DE C.V.	Ordinary	Paseo de la Reforma 505, Col, Cuauhtemoc, 6500, Cudad de Mexico, Mexico
SMITHS DETECTION MIDDLE EAST FZE	Ordinary	Dubai Airport Free Zone, PO Box 48225, Building No. 8WA (West Side), 401, Dubai, United Arab Emirates
SMITHS DETECTION MONTREAL INC.	Ordinary	3700, Stock Exchange Tower, P.O Box 242, 800 Place Victoria, Montreal, PQ, H4Z 1E9, Canada
SMITHS DETECTION NEW ZEALAND LIMITED	Ordinary	Deloitte Centre, Level 20, 1 Queen Street,Auckland, 1010, New Zealand
SMITHS DETECTION RUS LLC	Ordinary	5-104, Room 501, floor 5, bld.1, Octyabrskaya Emb., St. Petersburg, 193079, Russian Federation
SMITHS DETECTION SAUDI ARABIA LTD	Ordinary	Level 1, Building 7, Zone A, Airport road, Business Gate, P.O Box Riyadh 11683, Kingdom of Saudi Arabia 93597
SMITHS DETECTION SYSTEMS PRIVATE LIMITED	Ordinary	601, Hemkunt Tower, 98 Nehru place, New Delhi, India, 110019
SMITHS DETECTION US HOLDINGS, LLC	Units	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS DETECTION US, LLC	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States

Wholly owned subsidiaries (indirect ownership) continued

Name	Security	Address
SMITHS DETECTION-WATFORD LIMITED	Ordinary	Century House, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7DE, England
SMITHS DETECTION-WATFORD LIMITED (ISRAEL BRANCH)	Ordinary	4, DERECH HAHORESH ST, PO BOX 12820, YEHUD-MONOSON, 5647003, Israel
SMITHS FINANCE LIMITED	Ordinary, Redeemable	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS GROUP HOLDINGS NETHERLANDS BV	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
SMITHS GROUP HOLDINGS NETHERLANDS BV (UK BRANCH)	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
SMITHS GROUP INNOVATION LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS GROUP INSURANCE LIMITED	Ordinary	LEVEL 5, MILL COURT, LA CHARROTERIE, ST PETER PORT, GY1 1EJ, Guernsey
SMITHS GROUP ITALIA SRL	Ordinary	VIA GIOTTO 3, MUGGIO, 20835, Italy
SMITHS GROUP SERVICE CORPORATION	Ordinary	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS INDUSTRIES INDUSTRIAL GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS INTERCONNECT AMERICAS, INC.	Ordinary	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS INTERCONNECT CANADA INC.	Ordinary	16771, Sainte Marie Rd, Kirkland, Quebec, H9H 5H3
SMITHS INTERCONNECT GROUP (HK) CO LTD	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
SMITHS INTERCONNECT GROUP LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMITHS INTERCONNECT HONG KONG CO LIMITED	Ordinary	4008-4009, 40/F, One Pacific Place, 88 Queensway, Hong Kong
SMITHS INTERCONNECT INDIA PRIVATE LIMITED	Ordinary	Vaswani Centropolis, Ground Floor, Vaswani Centropolis, Langford Rd,Akkithmana Halli,Bheemanna Garden, Shanti nagar, Near Jayanagar, Bangalore South, India, Shanthinagar, Bangalore South, 560027, India
SMITHS INTERCONNECT MEXICO, S.DE R.L. DE C.V.	Ordinary	Carretera Libre Antiguo Camino Tijuana 20221-B, Fideicomiso el Florido, Tijuana, Baja California, 22234, Mexico
SMITHS INTERCONNECT SOCIEDAD ANONIMA	Ordinary	33RD ST. NUMBER 777 BARRIO FRANCISCO PERALTA, CENTRAL AVENUE & 8TH, SAN JOSE, Costa Rica
SMITHS INTERCONNECT, INC.	Ordinary	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, DE 19801, United States
SMITHS TUBULAR SYSTEMS-LACONIA, INC	Ordinary	CT Corporation System, 9 Capitol Street, Concord, NH 03301, United States
SMITHS US INNOVATION LLC	Units	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
SMITHS WOLVERHAMPTON LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
SMO DETECTION EQUIPMENT (SHANGHAI) CO., LTD	Ordinary	Room 923B, No 55, Xili Road, Shanghai, (China) Pilot Free Trade Zone, China
STS TITEFLEX INDIA PVT LTD	Ordinary	No 38, KIADB Industrial Area, Bangalor, 561203, India
T I S A (FRANCE)	Ordinary	114, RUE JULES FERRY, B.P.35, DEVILLE-LES-ROUEN, 76250, France
TEKNOFLUOR HOLDING AB	Ordinary	Teknofluor Holding AB, Knivsta, 74180, Sweden
THERMAFLEX (FRENCH BRANCH)	Units	31 RUE ISIDORE MAILLE, SAINT-AUBIN-LES-ELBEUF, 76410, France
TI GROUP AUTOMOTIVE SYSTEMS (ARGENTINA) SA	Ordinary	AV. LEANDRO N. ALEM 1110, 13 FLOOR, Baker Mackenzie Office, BUENOS AIRES, Argentina
TIGRUP NO. 14 LIMITED	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
TITEFLEX COMMERCIAL, INC.	Ordinary	CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States
TITEFLEX CORPORATION	Ordinary	One Corporate Center, Hartford, CT 06103-3220, United States
TITEFLEX EUROPE SAS	Ordinary	22, Avenue Maurice Chevalier, 77833 Ozoir-la-Ferriere, Paris, France
TRAK MICROWAVE LIMITED	Ordinary	29 DUNSINANE AVENUE, DUNDEE, DD2 3QF, Scotland
TUTCO DE MEXICO SRL DE CV	Ordinary	Av. Primero de Mayo Lote 3 Edificio 1B, Prologis Park, Reynosa, 88780, Mexico
TUTCO, LLC	Ordinary	116, Pine Street, 3rd Floor, Suite 320, Harrisburg, PA 17101, United States
US HOSE CORP	Ordinary	815 Forestwood Drive, Romeoville, IL, IL 60446, United States

* address of Parent Company

Non wholly-owned subsidiaries, including joint ventures, associates and investments

Name	% of Group ownership	Security	Address
HUAFENG SMITHS INTERCONNECT (SICHUAN) CO., LTD.	60	Ordinary	No. 120, Sanjiang Avenue, Economic Development Zone, Mianyang, Sichuan Province, China
JOHN CRANE JAPAN INC	70	Ordinary	2222, KAMITOYAMA RITTO CITY, RITTO-SHI, SHIGA-KEN, JAPAN
JOHN CRANE PTY LTD	75	Ordinary	2, JANSEN ROAD, NUFFIELD INDUSTRIAL SITES, SPRINGS GAUTENG, SOUTH AFRICA, 1559
LLC JOHN CRANE ISKRA	50	Ordinary	28, Academica Vedeneeva Street, Perm, Permskiy Region, 614038, Russian Federation
PT JOHN CRANE INDONESIA	99	Ordinary	CILANDAK COMMERCIAL ESTATE BLDG 401A, JI. KKO CILANDAK, JAKARTA, 12560, Indonesia
SMITHS DETECTION SECURITY SYSTEMS LLC	49	Ordinary	Building No B10, Industrial Mussaffah M44, Sector 15, Offices No (01, 03), Abu Dhabi, United Arab Emirates
XDG SERVICES LIMITED	99	Ordinary	Level 10, 255 Blackfriars Road, London, SE1 9AX, England
ZAMOR KG	48	Ordinary	TOLZER STRASSE, 15 82031, GRUNWALD, Germany

Overseas Branches

The Company does not operate through any branches. Some Group subsidiary companies have established branch operations outside the UK.

Financial calendar

	2024	2025 (provisional)
Announcement of FY2024 Results	24 September	
Dividend ex-dividend date	17 October	
Dividend record date	18 October	
Last DRIP election date	1 November	
Annual General Meeting	13 November	
Q1 Trading Update	13 November	
Dividend payment date	22 November	
Announcement of FY2025 Interim Results		25 March
Interim dividend ex-dividend date		3 April
Interim dividend record date		4 April
Last DRIP election date		22 April
Interim dividend payment date		14 May
Q3 Trading Update		20 May
FY2025 financial year end		31 July
Announcement of FY2025 Results		23 September

Registered Office

Smiths Group plc
Level 10
255 Blackfriars Road
London, SE1 9AX

+44 (0)20 7004 1600

Incorporated in England & Wales
Company No. 137013

www.smiths.com

Registrars

Our share register is maintained by Equiniti. If you have any questions about your Smiths shares, please contact Equiniti www.shareview.co.uk.

Telephone:

T: + 44 (0)371 384 2943 (in the UK)
Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

For deaf and speech impaired customers, Equiniti welcomes calls via Relay UK. Please see www.relayuk.bt.com for more information.

Write to:

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Equiniti offers the Shareview portfolio service to investors; visit www.shareview.co.uk to register for an account. Through Shareview you can access information about your investments, including balance movements and indicative share prices, as well as practical help about transferring your shares or updating your personal details.

Dividends

Since November 2019 Smiths no longer issues dividend cheques. In order to have your dividends paid directly to your bank or building society account please contact Equiniti for a copy of the Bank Mandate Form, or register your nominated bank or building society account by visiting www.shareview.co.uk.

By registering your account all future dividends will be paid securely by direct credit on the dividend payment date.

Alternatively, Smiths offers a Dividend Reinvestment Plan. For more information please visit our website or contact Equiniti.

Ordinary shares

The market value of an ordinary share of the Company on 31 March 1982 for the purposes of capital gains tax was 136.875p (taking into account the sub-division of 50p shares into 25p shares on 14 January 1985 and the sub-division and consolidation of 25p shares into 37.5p shares on 18 June 2007).

Annual General Meeting (AGM)

The 2024 Smiths Group plc AGM will be held at 10.00am on Wednesday 13 November 2024 at Freshfields Bruckhaus Deringer, 100 Bishopsgate, London EC2P 2SR. The Notice of AGM is a separate document which is sent out at least 20 working days before the AGM and made available on our website. If you are in any doubt as to what action you should take in relation to the resolutions being proposed at the AGM, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. The meeting will be webcast and may be viewed online by registering on our website www.smiths.com.

Shareholders, their appointed proxies and authorised corporate representatives have the right to ask questions at the AGM relating to the business of the meeting. Such persons will also be able to submit questions to the AGM in advance by emailing secretary@smiths.com by 6.00pm on Wednesday 6 November 2024. Shareholders who submit questions in advance of the AGM should include their full name and Shareholder Reference Number in their email. The responses to the pre-submitted questions will be answered at the AGM. Please note that where a number of similar questions have been asked, we will group these accordingly.

Shareholders who are unable to attend the AGM in person are encouraged to vote their shares by appointing a proxy and issuing voting instructions. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrar not later than 48 hours before the AGM is held in order to be valid. Shareholders who are not CREST members can appoint a proxy and vote online by visiting www.shareview.co.uk. CREST members, CREST personal members and other CREST-sponsored members should consult the CREST Manual or their sponsor or voting service provider for instructions on electronic proxy appointment and voting.

Forward-looking statements
This report contains certain 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. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. By their nature, these statements involve uncertainty and are subject to known and unknown risks, including, without limitation, those discussed under the section titled 'Principal risks and uncertainties' in this report. Future events and circumstances can cause performance, results and developments to differ materially from those expressed, implied or anticipated. The past business and financial performance of the Group is not to be relied on as an indication of its future performance. 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. Undue reliance should not be placed on such forward-looking statements. Nothing in this document should be construed as a profit forecast or be interpreted to mean that future earnings per share of the Company will necessarily match or exceed its historical published earnings per share. 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. Some of the products described in these materials are under development and are not available for sale, and we make no definitive claims about the final features or benefits of these products.

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