

KPMG LLP's Independent Auditor's Report

To the members of Smiths Group plc

Financial statements

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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)

The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash-flow statement

Notes 1 to 31 to the Group financial statements, including the accounting policies.

Parent Company (Smiths Group plc)

Company balance sheet, Company statement of changes in equity

Notes 1 to 13 to the Parent Company financial statements, including the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit 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

<p>Factors driving our view of risks</p>	<p>Following our FY2023 audit, and considering developments affecting the Group since then, we have updated our risk assessment decisions.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<table border="1"> <thead> <tr> <th>Key Audit Matters</th> <th>Vs FY2023</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td>Recoverability of goodwill in respect of the Smiths Detection CGU (a)</td> <td>↔</td> <td>4.1</td> </tr> <tr> <td>Estimation of litigation provisions for asbestos in John Crane, Inc (a)</td> <td>↔</td> <td>4.2</td> </tr> <tr> <td>Defined benefit pension plan liabilities for SIPS (b)</td> <td>↔</td> <td>4.3</td> </tr> </tbody> </table> <p>(a) Key audit matter to the Group financial statements (b) Key audit matter to the Parent Company financial statements</p>	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						
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Defined benefit pension plan liabilities for SIPS (b)	↔	4.3																		
<p>Audit Committee interaction</p>	<p>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.</p> <p>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.</p>																			
<p>Our independence</p>	<p>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.</p> <p>We have not performed any non-audit services during FY2024 or subsequently which are prohibited by the FRC Ethical Standard.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<table border="1"> <tbody> <tr> <td>Total audit fee</td> <td>£6.4m</td> </tr> <tr> <td>Audit related fees (including interim review)</td> <td>£0.4m</td> </tr> <tr> <td>Other services</td> <td>£0.1m</td> </tr> <tr> <td>Non-audit fee as a % of total audit and audit related fee %</td> <td>7.2%</td> </tr> <tr> <td>Date first appointed</td> <td>13 November 2019</td> </tr> <tr> <td>Uninterrupted audit tenure</td> <td>5 years</td> </tr> <tr> <td>Next financial period which requires a tender</td> <td>2030</td> </tr> <tr> <td>Tenure of Group engagement partner</td> <td>2 years</td> </tr> <tr> <td>Average tenure of component signing partners</td> <td>3 years</td> </tr> </tbody> </table>	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
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**Materiality
(Item 6 below)**

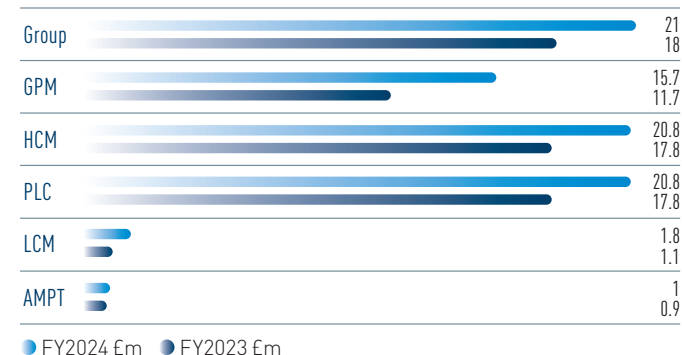
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

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



- 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.

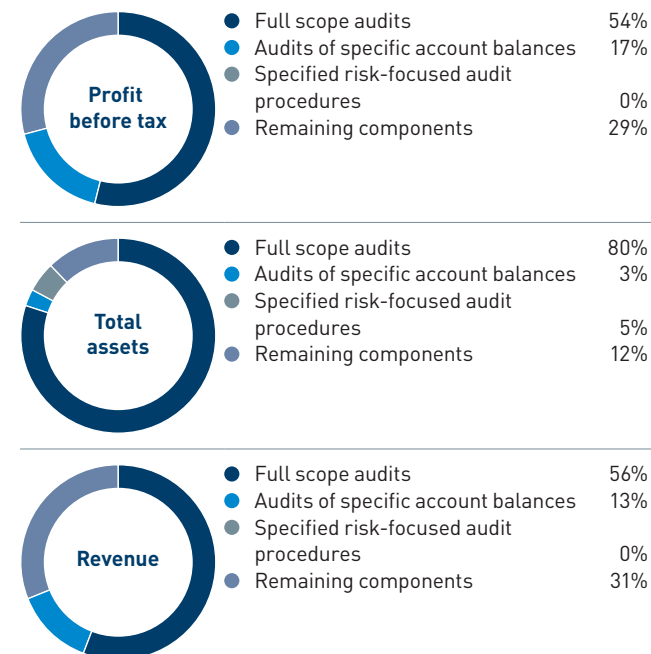
The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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



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	<p>To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:</p> <ul style="list-style-type: none"> – 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	<p>We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group 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.</p>
Fraud risks	<p>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.</p>
Procedures to address fraud risks	<p>We performed procedures including:</p> <ul style="list-style-type: none"> – 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	<p>We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.</p> <p>As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.</p>
Risk communications	<p>We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group 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.</p>

Direct laws context and link to audit	<p>The potential effect of these laws and regulations on the financial statements varies considerably.</p> <p>Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.</p>
Most significant indirect law/regulation areas	<p>Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, considering dealings with government officials, employment law, and certain aspects of company legislation.</p> <p>Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.</p>

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	<p>Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.</p>
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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	<p>What we mean A quantitative reference for the purpose of planning and performing our audit.</p> <p>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).</p> <p>Consistent with FY2023, we determined that Group normalised PBTCO remains the main benchmark for the Group.</p> <p>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</p>	<p>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).</p> <p>Our Group materiality of £21m was determined by applying a percentage to the normalised PBTCO. When using a benchmark of normalised PBTCO to determine overall materiality, KPMG's approach for listed entities considers a guideline range 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.</p> <p>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%).</p>
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<p>£15.7m (FY2023: £11.7m) Performance materiality</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.</p>
<p>£1m (FY2023: £0.89m) audit misstatement posting threshold</p>	<p>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.</p> <p>This is also the amount above which all misstatements identified are communicated to Smiths Group plc's Audit Committee.</p>	<p>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.</p>

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 (FY2023: 56%)	56% (FY2023: 56%)	54% (FY2023: 62%)	80% (FY2023: 80%)
Audit of one or more account balances	7	£3.5m – £1.2m (FY2023: 13%)	13% (FY2023: 13%)	17% (FY2023: 12%)	3% (FY2023: 4%)
Specified risk focused audit procedures	3	£3.5m – £1.8m (FY2023: 1%)	– (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			Year ended 31 July 2023		
		Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	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

SHAREHOLDERS' EQUITY

	Notes	31 July 2024 £m	31 July 2023 (restated)* £m
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

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

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

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

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

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	–	40
Bonds	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		Accumulated fair value adjustments on hedged item	
					Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fixed rate bonds (a)	Interest rate and currency rate risk	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	Liabilities £m	Net £m
Foreign exchange contracts (cash-flow hedges)	178	2	(2)	–
Foreign exchange contracts (not hedge accounted)	315	2	(2)	–
Total foreign exchange contracts	493	4	(4)	–
Cross-currency swaps (fair value and net investment hedges)	248	–	(13)	(13)
Total financial derivatives	741	4	(17)	(13)
Balance sheet entries:				
Non-current	255	–	(13)	(13)
Current	486	4	(4)	–
Total financial derivatives	741	4	(17)	(13)

At 31 July 2023

	Contract or underlying nominal amount £m	Fair value		
		Assets £m	Liabilities £m	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:

Hedged exposure	Hedging instrument		Maturity at 31 July 2024			Maturity at 31 July 2023		
			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)

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

- A Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 1 as defined by IFRS 13).
- B Carrying value is assumed to be a reasonable approximation to fair value for all of these assets and liabilities (Level 2 as defined by IFRS 13).
- C Fair values of derivative financial assets and liabilities, and trade receivables held to collect or sell, are estimated by discounting expected future contractual cash-flows using prevailing interest rate curves. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS 13).

As at 31 July 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)

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	<p>Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows:</p> <ul style="list-style-type: none"> – To add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; – To eliminate the Group's investment in ICU Medical, Inc. equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc; and – To eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of deferred tax, and net debt. <p>It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.</p>
Capital expenditure	<p>Comprises additions to property, plant and equipment, capitalised development and other intangible assets, excluding assets acquired through business combinations: see note 1 for an analysis of capital expenditure. This measure quantifies the level of capital investment into ongoing operations.</p>

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.

APM term	Definition and purpose
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 ₂ e 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			Year ended 31 July 2023		
	Headline \$m	Non-headline (note 3) \$m	Total \$m	Headline \$m	Non-headline (note 3) \$m	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		31 July 2024 \$m	31 July 2023 (restated)* \$m
NON-CURRENT ASSETS			SHAREHOLDERS' EQUITY		
Intangible assets	1,953	1,956	Share capital	167	168
Property, plant and equipment	347	318	Share premium account	469	469
Right of use assets	141	135	Capital redemption reserve	32	31
Financial assets – other investments	68	477	Merger reserve	302	302
Retirement benefit assets	169	251	Retained earnings	2,130	2,337
Deferred tax assets	121	155	Hedge reserve	(236)	(242)
Trade and other receivables	123	96	TOTAL SHAREHOLDERS' EQUITY	2,864	3,065
	2,922	3,388	Non-controlling interest equity	28	28
CURRENT ASSETS			TOTAL EQUITY	2,892	3,093
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			

* 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.
Kreister 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			
	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Fair value 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	(7)	–
Total financial derivatives		7	(20)	(13)

At 31 July 2023

	Contract or underlying nominal amount £m	Assets £m	Liabilities £m	Fair value 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	(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 Lumpur, Malaysia
FLEXIBLE DUCTING, LIMITED	Ordinary	29 DUNSINANE AVENUE, DUNDEE, DD2 3QF, Scotland
FLEXIBLE TECHNOLOGIES (CANADA) LTD	Ordinary	4610, Eastgate Parkway, Unit 3, Mississauga, ON, L4W 3W6, Canada
FLEXIBLE TECHNOLOGIES, LLC	Ordinary	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801, United States
FLEXIBOX INTERNATIONAL LIMITED	Ordinary	BUCKINGHAM HOUSE, 361-366 BUCKINGHAM AVENUE, SLOUGH, BERKSHIRE, SL1 4LU, England
FLEXIBOX PTY LIMITED	Ordinary	549-551, Somerville Rd, Sunshine, Victoria, 3020, Australia
FLEXSCHLAUCH PRODUKTIONS GMBH	Ordinary	Reepschlagel 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 Caddesi, Dis, Reklamcılık Apt No:17-19/1
JOHN CRANE ENDUSTRIYEL SIZDIRMAZLIK SİSTEMLERİ 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 časť Staré Mesto, 811 02, Slovakia
JOHN CRANE SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE	Ordinary	CARRETERA CIUDAD VICTORIA MATAMOROS, KM.173+600, SOLONIA SAN FERNANDO CENTRO, TAMAULIPAS, SAN FERNANDO, CP 87600, Mexico
JOHN CRANE SVERIGE AB	Ordinary	FALTSPATSGATAN 4, SE-421 30 VASTRA FROLUNDA, Sweden
JOHN CRANE 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, Ciudad de Mexico, Mexico
SMITHS DETECTION MIDDLE EAST FZE	Ordinary	Dubai Airport Free Zone, PO Box 48225, Building No. 8WA (West Side), 401, Dubai, United Arab Emirates
SMITHS DETECTION MONTREAL INC.	Ordinary	3700, Stock Exchange Tower, P.O Box 242, 800 Place Victoria, Montreal, PQ, H4Z 1E9, Canada
SMITHS DETECTION NEW ZEALAND LIMITED	Ordinary	Deloitte Centre, Level 20, 1 Queen Street, Auckland, 1010, New Zealand
SMITHS DETECTION RUS LLC	Ordinary	5-104, Room 501, floor 5, bld.1, 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 TITFLEX 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
TITFLEX COMMERCIAL, INC.	Ordinary	CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States
TITFLEX CORPORATION	Ordinary	One Corporate Center, Hartford, CT 06103-3220, United States
TITFLEX 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.