SMITHS GROUP PLC - HALF YEAR RESULTS FOR 6 MONTHS ENDED 31 JANUARY 2024

Pioneers of progress – improving our world through smarter engineering

+3.9% organic revenue growth and +16.5% order growth in H1; reaffirming full-year guidance of 4-6% organic revenue growth

- **Solid first half performance with good momentum for the second half**
  - Organic revenue growth[1] of +3.9% against record comparator, led by strong growth at John Crane +12.7% and Smiths Detection +8.9%
  - Revenue declines at Flex-Tek of (4.1)% and Smiths Interconnect of (13.7)%; with improved performance in the second quarter in both divisions
  - Group orders[2] up +16.5%, driven by John Crane +10.9%, Smiths Detection +38.2% and Flex-Tek aerospace +11.6%; double-digit order growth at Smiths Interconnect in Q2, following a double-digit decline in Q1
- **Commercial wins underpinning full-year guidance and future growth**
  - Continued improvement in demand for John Crane's solutions supporting energy security and energy transition, including wins across carbon capture, blue hydrogen and battery manufacturing
  - Smiths Detection secures multiple next-generation CTiX platform contracts globally; an award from the US DOD to supply portable aerosol and vapour chemical detectors and an initial £88m contract with the UK MoD to provide chemical detection technology
- **Execution focus driving performance improvements; SES delivering further tangible benefits**
  - Headline organic operating profit[3] +5.3%; headline operating margin[3] expansion of +20bps to 16.3%, alongside reinvestment for growth
  - ROCE[4] up +50bps to 15.7%, driven by the profit improvement
  - SES benefit of £10m; on track for full-year contribution of £20m
  - Cash conversion[4] up 26 percentage points year-on-year to 89%, resulting from working capital improvement; free cash-flow more than doubled to £112m
- **Strong balance sheet supports investment in organic and inorganic growth**
  - Net debt to EBITDA[4] of 0.9x
  - Acquisition of Heating & Cooling Products for <7x EBITDA; integration progressing ahead of plan
  - Interim dividend of 13.55p, up 5.0%
  - New £100m share buyback programme announced, with first tranche of up to £50m to be completed by the end of September 2024
- **Roland Carter appointed as the Group's Chief Executive Officer, with immediate effect, following Paul Keel's decision to step down to take on a new role as chief executive of a US public company**

FY2024 Outlook

- Reaffirming FY2024 organic revenue growth within our medium-term target range of 4-6%, with continued margin expansion

Headline[3]	**HY2024**	HY2023	Reported	**Organic[1]**
Revenue	£1,507m	£1,497m	+0.7%	**+3.9%**
Operating profit	£246m	£241m	+2.1%	**+5.3%**
Operating profit margin[4]	16.3%	16.1%	+20bps	**+20bps**
Basic EPS	48.7p	46.6p	+4.5%	
ROCE[4]	15.7%	15.2%	+50bps	
Operating cash conversion[4]	89%	63%	+26pps	

Statutory	**HY2024**	HY2023	Reported
Revenue	£1,507m	£1,497m	+0.7%
Operating profit	£192m	£187m	+2.7%
Profit for the half year (after tax)	£111m	£109m	+1.8%
Basic EPS	32.0p	30.6p	+4.6%
Dividend per share	13.55p	12.9p	+5.0%

Paul Keel, Chief Executive Officer, commented:

"We are off to a good start in FY24 with +3.9% organic revenue growth and +16.5% order growth in the first half, against a record comparator last year, and marking our 11th consecutive quarter of revenue growth.

"We continue to focus on innovation as an enduring driver of value, as highlighted through the roll-out of our next-generation threat detection technology in airports around the world. We also continue to strengthen our energy transition impact, with significant project wins in carbon capture, blue hydrogen and electric battery manufacturing.

"We expect growth to improve in the second half, driven by a record order book for Smiths Group, continued strength in end markets like aerospace, security and energy, as well as gradually improving conditions in the industrial segments that were softer in the first half. Together, this gives us confidence in reaffirming our full-year 2024 guidance of 4-6% organic revenue growth, with continued margin expansion.

"As we continually advance our Purpose of improving our world through smarter engineering, we are pleased to announce that the Smiths Group Foundation is now awarding its first set of grants to charities which are aligned with our Purpose.

"Thank you to my colleagues around the world for all you do. It has been a tremendous honour to have led this wonderful company over the past three years, working alongside our many talented employees, and I am proud of everything we have achieved together. I'm excited for what lies ahead for Smiths and to see Roland continue to build on its successes and deliver further value for all Smiths Group's stakeholders."

UPCOMING EVENTS

Date	Event
21 May 2024	Q3 Trading Update
24 September 2024	FY2024 Full Year Results
13 November 2024	Q1 Trading Update and Annual General Meeting

Statutory reporting

Statutory reporting takes account of all items excluded from headline performance.
See accounting policies for an explanation of the presentation of results and note 3 to the financial statements for an analysis of non-headline items.

Definitions

The following definitions are applied throughout the financial report:
[1] Organic is headline adjusted to exclude the effects of foreign exchange and acquisitions.
[2] Order intake growth excludes the effects of foreign exchange.
[3] Headline: In addition to statutory reporting, the Group reports on a headline basis. Definitions of headline metrics, and information about the adjustments to statutory measures, are provided in note 3 to the financial statements.
[4] Alternative Performance Measures ("APMs") and Key Performance Indicators ("KPIs") are defined in note 19 to the financial statements.

Investor enquiries

Siobhán Andrews, Smiths Group
+44 (0)7920 230093
siobhan.andrews@smiths.com

Media enquiries

Tom Steiner, Smiths Group
+44 (0) 7787 415891
tom.steiner@smiths.com

Alex Le May, FTI Consulting
+44 (0)7702 443312
smiths@fticonsulting.com

Presentation

The webcast presentation and Q&A will begin at 08.30 (UK time) today at: https://smiths.com/investors/results-reports-and-presentations. A recording will be available from 13.00 (UK time).

Legal Entity Identifier (LEI): 213800MJL6IPZS3ASA11

Our Purpose

We are pioneers of progress – improving our world through smarter engineering. Smarter engineering means helping to solve the toughest problems for our customers, our communities and ourselves. We help to create a safer, more efficient and better-connected world.

Our Priorities and Targets

Smiths is intrinsically strong with world-class engineering, leading positions in critical markets, and distinctive global capabilities, all underpinned by a strong financial framework. We continue to make progress and deliver on our potential by focusing on three top priorities of accelerating growth, strengthening execution and doing ever more to inspire and empower our people.

Our focused plan, the Smiths Value Engine, is the means through which we are delivering the medium-term targets that we have set. We have continued to make solid progress across these targets, including eleven consecutive quarters of organic revenue growth.

Targets	Medium-Term Target	HY2023	HY2024	Progress
Organic Revenue Growth	**4-6%** *(+ M&A)*	+13.5%	**+3.9%**	Reaffirmed full-year guidance of 4-6%
Headline EPS Growth	**7-10%** *(+ M&A)*	+52.1%	**+4.5%**	EPS growth driven by operating profit growth and benefit of share buyback, partially offset by FX
ROCE	**15-17%**	15.2%	**15.7%**	ROCE within our medium-term target range, reflecting growth in operating profit
Operating Profit Margin	**18-20%**	16.1%	**16.3%**	Continued margin improvement, benefiting from SES, with continued investment in growth
SmiOperating Cash Conversion	**100%+**	63%	**89%**	Improvement in working capital delivers solid cash conversion

These targets are underpinned by Smiths operational KPIs and environmental targets, including a commitment to Net Zero for Scope 1 and 2 emissions by 2040 and Net Zero for Scope 3 emissions by 2050.

HY2024 Business Performance

Smiths delivered organic revenue growth of +3.9% in the first half. We generated £246m of headline operating profit, up +5.3% on HY2023 on an organic basis, and delivered moderate margin improvement as we continue to drive growth, improve execution and invest in our people.

£m	HY2023	Foreign exchange	Acquisitions	**Organic movement**	**HY2024**
Revenue	1,497	(76)	31	**55**	**1,507**
Headline operating profit	241	(14)	6	**13**	**246**
Headline operating profit margin	16.1%				**16.3%**

GROWTH

Accelerating growth is the primary driver of unlocking enhanced value creation for the Group. We have now delivered eleven consecutive quarters of organic revenue growth. Momentum improved in the second quarter, with organic growth of 4.2%, following 3.5% organic growth in the first quarter, against record comparators of 13.2% and 13.6% in Q1 and Q2 of FY23.

Organic revenue growth (by business)	**H1 2023**	**H2 2023**	**HY2024**
John Crane	+14.6%	+15.8%	**+12.7%**
Smiths Detection	+14.0%	+18.8%	**+8.9%**
Flex-Tek	+17.0%	+3.6%	**(4.1)%**
Smiths Interconnect	+3.3%	(8.4)%	**(13.7)%**
Smiths Group	**+13.5%**	**+9.9%**	**+3.9%**

Strong growth continued in the first half for our two largest businesses. John Crane posted double digit growth in both revenue and orders. Smiths Detection delivered +8.9% organic revenue growth and +38.2% order growth, with particular strength in computed tomography ("CT") for airport checkpoints and chemical detection for defence. For Flex-Tek, strength in aerospace was not enough to overcome softness in the US construction market, leading to a (4.1)% overall decline. We anticipate that Flex-Tek will return to growth in the second half. Smiths Interconnect declined (13.7%). This was anticipated, as FY23 orders were down (17%). We are seeing early signs of recovery in Smiths Interconnect, with positive order growth and flat revenues in the second quarter, after a sharply negative first quarter.

Revenue grew +0.7% on a reported basis across the Group, to £1,507m (HY2023: £1,497m). This included a (£76m) negative foreign exchange translation impact and +£31m from the acquisitions of Plastronics and Heating and Cooling Products ("HCP").

Strong execution to access end market opportunity is the first of the four levers for accelerating growth.

Our business operates across four major global end markets: General Industrial, Safety & Security, Energy, and Aerospace. Our strong market positions, coupled with the balanced market exposure we have across our businesses, are distinctive long-term advantages for Smiths.

Organic revenue growth (by end market)	% of Smiths revenue	**H1 2023**	**H2 2023**	**HY2024**
General Industrial	39%	+15.4%	+1.0%	**(5.5)%**
Safety & Security	31%	+9.4%	+14.4%	**+7.2%**
Energy	23%	+17.1%	+21.8%	**+16.6%**
Aerospace	7%	+10.1%	+10.8%	**+5.4%**
Smiths Group	**100%**	**+13.5%**	**+9.9%**	**+3.9%**

Organic revenue in our largest end market, General Industrial, declined (5.5)% in HY2024, with good demand in John Crane's industrial markets more than offset by weaker demand for Flex-Tek's heating, ventilation and air conditioning ("HVAC") products and Smiths Interconnect semiconductor test and connectors products. Organic revenue growth in Safety & Security was +7.2%, reflecting Smiths Detection's strong delivery against its orderbook, partially offset by a decline in Smiths Interconnect from the timing of defence programmes. The +16.6% growth in Energy reflected the broad-based strong demand at John Crane and execution against its record order book. Aerospace organic revenue increased +5.4% with new aircraft build programmes supporting demand at Flex-Tek offsetting the impact of delays in aerospace programmes in Smiths Interconnect.

Our second lever for faster growth is **improved new product development and commercialisation**. In HY2024, 200bps of growth was delivered from high impact new products including John Crane's next-generation diamond coating product offering for high-speed and high-heat applications, Smiths Detection iCMORE software which uses AI and advanced detection algorithms for automated detection, and a high-density electrical connector for the medical market from Smiths Interconnect. Gross vitality, which measures the proportion of revenues coming from products launched in the last five years, was 31.5% (HY2023: 29.5%), supported by our successful new product commercialisation.

As an industrial technology leader, continuing to invest in R&D ensures we capitalise on the wealth of opportunities in our pipeline, with increasing demand from our customers for solutions that help them achieve their sustainability objectives. In the first half, we invested £52m in R&D (HY2023: £59m), of which £35m (HY2023: £41m) was an income statement charge, £7m was capitalised (HY2023: £8m) and £10m (HY2023: £10m) was funded by customers. Partly accounting for the year-on-year decline is the decision to move certain R&D projects to lower cost jurisdictions, resulting in more efficient R&D spend.

To support new product launches, and the strong demand for our existing solutions, we increased capex +5.6% in HY2024 to £38m (HY2023: £36m), with a key project being investment in automation at John Crane. This equates to 1.5x depreciation and amortisation (HY2023: 1.4x).

Our third growth lever is **building out priority adjacencies**. Each of our four businesses are executing strategies to expand beyond their existing core markets and ensure we capitalise on the long-term megatrends of energy transition and sustainability, ever-rising security needs and enhanced connectivity. Examples in HY2024 include Flex-Tek's heating solutions used by our customers in various process electrification applications, and building out Smiths Detection's defence business, with two multi-year chemical detection awards, from the US Department of Defence and an initial £88m contract from the UK Ministry of Defence.

Our fourth growth lever is using disciplined **M&A** to augment our primarily organic growth focus. We acquired HCP in August 2023. HCP provides geographic synergy to Flex-Tek's existing HVAC business and its patented axial and radial seal duct products help our customers meet increasing efficiency regulations in residential and light commercial construction. The acquisition is off to a good start with integration progressing ahead of plan.

EXECUTION

Stronger execution is our second key priority.

In HY2024, headline operating profit grew +5.3% (+£13m) on an organic basis, and +2.1% (+£5m) on a reported basis, to £246m (HY2023: £241m). Group headline operating profit benefited from +18.3% organic growth in John Crane and +10.3% in Smiths Detection. Flex-Tek delivered +2.6% organic headline operating profit growth as positive mix impact and good cost control offset the lower sales. Organic headline operating profit declined (33.3)% in Smiths Interconnect, behind sharply lower volumes.

£m	HY2023	Foreign exchange	Acquisitions	**Organic movement**	**HY2024**
Headline operating profit	241	(14)	6	**13**	**246**
Headline operating profit margin	16.1%	(10)bps	+10bps	**+20bps**	**16.3%**

Headline operating profit margin was 16.3%, up +20bps on both an organic and a reported basis.

Headline operating profit margin (by business)	**HY2023**	**HY2024**
John Crane	22.0%	**23.0%**
Smiths Detection	10.5%	**10.7%**
Flex-Tek	19.5%	**21.2%**
Smiths Interconnect	16.6%	**12.2%**
Smiths Group	**16.1%**	**16.3%**

By division, strong operating leverage on the higher sales volume resulted in margin expansion at John Crane. Smiths Detection improved its margin moderately. Flex-Tek delivered a higher margin, despite the lower organic revenue, helped by positive mix impact and good cost control. The sharply lower organic revenue at Smiths Interconnect resulted in an associated margin decline.

Headline EPS grew +4.5%, driven by the headline operating profit growth and the benefit from the share buyback programme, partially offset by foreign exchange impacts. The headline tax charge was £59m (HY2023: £58m) which represents an effective rate of 26.0% (HY2023: 26.0%).

ROCE increased +50bps to 15.7% (HY2023: 15.2%) reflecting the higher profitability of the Group. For further detail, please refer to note 19 of the financial statements.

Headline operating cash conversion for HY2024 was 89% (HY2023: 63%), supported by a marked improvement in working capital versus the same period last year. Headline operating cash-flow[4] was £218m (HY2023: £151m). In HY2024, free cash-flow[4] generation more than doubled to £112m (HY2023: £46m) or 45% of headline operating profit (HY2023: 19%).

The Smiths Excellence System ("SES") is one of the key initiatives to enhance execution and support the delivery of our medium-term financial targets. In the first half, SES projects delivered a £10m benefit to operating profit (HY2023: £5m). The Group continues to expect the full-year benefit to amount to £20m.

Supporting this delivery, there are 46 Black Belt projects currently underway. Our first cohort of Black Belts and Master Black Belts are now completing their roughly two-year assignments and returning to leadership roles across the Group. This accelerates the cultural benefits of SES as programme graduates incorporate SES learnings into leadership roles across the Group. New Master Black Belts are being appointed, whilst we continue to expand our Black Belt cohort. SES is fast becoming the way we work at Smiths and to celebrate the contribution it is making, the Smiths Excellence Awards in November recognised a number of outstanding achievements across the Group.

PEOPLE

Inspiring and empowering our people is our third key priority and our people plan is focused around four key areas of safety; leadership development; diversity, equity and inclusion; and engagement.

The first area, safety, alongside health and well-being, is an essential foundation of our success. In the first half of the year, our recordable incident rate was 0.46 (HY2023: 0.42), demonstrating the need to continue to focus on strengthening culture and reducing risk across all sites. A key event in the first half was our three-day global HSE conference in February which covered topics including safety culture, the connection between SES and HSE, and hazard perception and risk assessment. Safety leading indicator activities, comprising peer-to-peer observations and leadership tours, reinforce these messages on a day-to-day basis.

Following the rollout of our Smiths Leadership Behaviours through the course of FY2023, we have embedded them into our key people-related activities such as talent development, performance management and learning programmes across all our operating businesses and geographies.

In terms of talent development, our Accelerate Leadership Development programme ("Accelerate") rollout continues. We have doubled the number of workshops to date this year and expanded it to 15 new countries, including Brazil and Singapore. With 300 employees having participated to date; we expect to have around 600 participants complete the programme by the fiscal year end. Accelerate improves the effectiveness of our leaders and the engagement of our teams. In parallel with this, we have also launched an initiative focused specifically on building capability in leading change. The Leading Change & Action Learning programme was piloted in John Crane and is now being extended across the Group.

Our commitment to fostering diversity, equity, and inclusion is integral to our people strategy. We prioritise enhancing gender diversity across all organisational levels, striving for equity in advancement opportunities. Our efforts to foster an environment of inclusivity and belonging is further bolstered by active employee resource groups ("ERGs") such as the Black Employee Network, Veterans Network, Pride Coalition and Women@Work, and the recently launched Neurodiversity ERG.

Through this focus on inspiring and empowering our people, our voluntary attrition rate continues to improve, down 170bps at the end of the first half for our global employees, and down 100bps for our engineering employees.

OUR ESG APPROACH

Environment, Social and Governance ("ESG") is at the very centre of our Purpose, and fundamental to each of our three key priorities.

Growth

An important element of our ESG plan centres on supporting our customers on their sustainability journeys. Many of our new products and R&D initiatives are focused on commercialising high-value green technology, as well as enhancing production efficiency for our customers. One example is John Crane's growing presence (now more than 100 projects) in hydrogen and carbon capture markets. Another example is Flex-Tek supporting the development of the world's first green steel production facility in northern Sweden. A third example is in Smiths Detection, where our new CTiX scanners improve our airport customers' energy efficiency by using up to 20% less electricity when compared to alternative systems.

Execution

We are executing well against our ESG framework, with significant progress and performance against our sustainability metrics, which are now fully incorporated into both our annual and long-term incentives.

We were pleased to receive validation of our net zero GHG emission targets by the Science Based Targets initiative ("SBTi") in the first half. Smiths' targets align with the UN's critical global climate objectives under the Paris Agreement and our ambition to limit global warming to 1.5°: Net Zero GHG emissions from Smiths operations (Scope 1&2) by 2040; and Net Zero GHG emissions from Smiths value chain (Scope 3) by 2050.

Both targets are supported by a robust and credible, bottom-up decarbonisation pathway and delivery plan using fiscal year 2021 as the baseline year and, in accordance with SBTi methodology, include 2032 interim targets for supplier engagement and reducing Scope 1&2 emissions by 50%. Both overall and interim targets in the plan have been validated by the SBTi. We continue to implement programmes to deliver on our targets, with energy efficiency the primary focus, but are also making progress in other areas such as renewable electricity sourcing and a greater number of fleet cars being switched to EVs.

People

Engagement with our communities has long been a strength of Smiths. Following the launch in FY2023 of our new charitable foundation, “The Smiths Group Foundation”, we are making our first grants, totalling c.£1m, to charities around the world. The Foundation has committed an initial £10m of funding aligned with our Purpose of improving the world through smarter engineering. These cover three key areas: expanding access to STEM education and skills for under-represented groups; improving safety and connectedness within communities, for example, cleaner air or water or food security; and improving the environmental sustainability of communities, for example climate change resilience, recycling or water conservation. We look forward to seeing the impacts achieved with these grants at the charities supported in this first round.

Governance

The Board has appointed Roland Carter as the Group’s Chief Executive Officer and as a Director of Smiths, with immediate effect. This follows Paul Keel’s decision to step down from his position as Chief Executive Officer and from the Board with immediate effect, to return to the USA to take on a new role as chief executive of a US public company. (See separate RNS announcement published today).

In November, Steve Williams was appointed as Chairman for Smiths Group. We announced that Bill Seeger will retire from the Board of Smiths on 31 May 2024, at which point Mark Seligman will take over as the Senior Independent Director.

CAPITAL ALLOCATION

With our strong technology, market positions and growth opportunities, and financial framework, our highest capital priority continues to be organic growth. Accretive M&A, either to strengthen core positions or to accelerate penetration of priority adjacencies comes second. Third, we have a strong track record of returning capital to shareholders, with more than £1.1bn returned to shareholders in the past two and a half years, via dividends and the share buyback programme.

Organic investment

In the first half, we invested £38m in capex projects, including investment in automation at John Crane. This spend included £7m in capitalised R&D on programmes such as next-generation hold and cabin baggage screening and further advancements in our defence portfolio. A further £35m in R&D was charged to the income statement, supporting new product development.

M&A

Plastronics, acquired in January 2023, has now successfully been integrated into Smiths Interconnect.
We also completed the acquisition of HCP in August 2023, a US-based manufacturer of HVAC solutions.
Its integration into our Flex-Tek division is progressing ahead of plan.

These acquisitions support our strategy to make complementary inorganic investments to accelerate our presence in adjacent markets or expand our product offering. We have an active acquisition pipeline and disciplined M&A approach across the Group.

Shareholder returns

During the first half, we completed the Group's £742m share buyback programme, with the final £29m spent in the period. A new share buyback programme of £100m is now being launched, with up to £50m to be completed by the end of September 2024.

In line with our progressive dividend policy, the Board is declaring an interim dividend of 13.55p, a year-on-year increase of +5.0% (HY2023: 12.9p). The interim dividend will be paid on 13 May 2024 to shareholders on the register at close of business on 5 April 2024. Our dividend policy aims to increase dividends in line with growth in earnings and cash-flow, with the objective of maintaining minimum dividend cover of around two times. The policy enables us to retain sufficient cash-flow to finance investment in growth and meet our financial obligations. In setting the level of dividend payments, the Board considers prevailing economic conditions and future investment plans.

The Company offers a Dividend Reinvestment Plan ("DRIP") enabling shareholders to use their cash dividend to buy further shares in the Company – see our website for details. To participate in the DRIP, shareholders must submit their election notice to be received by 19 April 2024 ("the Election Date"). Elections received after the Election Date will apply to dividends paid after 13 May 2024. Purchases under the DRIP are made on, or as soon as practicable after, the dividend payment date and at prevailing market prices.

Net debt

Net debt[4] at 31 January 2024 was £505m (FY2023: £387m), as we paid £100m in dividends and returned £29m to shareholders via our share buyback which completed during the half. Net debt to headline EBITDA[4] was 0.9x (FY2023: 0.7x).

As at 31 January 2024, borrowings were £673m (FY2023: £654m) comprising a €650m bond which matures in February 2027 and £125m of lease liabilities. There are no financial covenants associated with these borrowings. Cash and cash equivalents as at 31 January 2024 were £180m (FY2023: £285m). Together with our $800m (c.£629m at the period-end exchange rate) revolving credit facility, which matures in May 2028, total liquidity was £809m at the end of the period.

ICU Medical stake

Since the sale of Smiths Medical in January 2022, the Group has held a financial asset reflecting our equity ownership in ICU Medical, Inc ("ICU"). See note 12 of the financial statements for further detail.
In February, we sold 830,000 shares in ICU, representing approximately 3.44% of ICU's issued share capital, and equivalent to approximately 33% of Smiths' holding in ICU, with net proceeds of c.$88m (£70m) from the sale. Smiths continues to hold 1,670,000 shares representing approximately 6.92% of ICU's issued share capital. In anticipation of Bill Seeger's retirement from the Smiths Board on 31 May 2024, Bill resigned as the Smiths nominated Director on the Board of ICU, effective 28 February 2024.

STATUTORY RESULTS

Income Statement

The £54m difference between headline operating profit of £246m and statutory operating profit of £192m is due to non-headline items as defined in note 3 of the financial statements. The largest non-headline items relate to the amortisation of acquired intangible assets of £25m, an increase of £22m in costs for asbestos litigation in John Crane Inc, offset by a provision reduction of £7m for subrogation claims in Titeflex Corporation. The statutory operating profit of £192m was £5m higher than last year (HY2023: £187m), reflecting the higher headline operating profit.

Statutory finance costs were £21m, broadly flat with the prior half-year (HY2023: £20m).

The statutory effective tax rate was 35.0% (HY2023 38.4%) and includes a non-headline tax charge of £1m (HY2023 £6m). Please refer to notes 3 and 5 of the financial statements for further details

Total Group profit after tax and EPS

Statutory profit after tax for the Group was £111m (HY2023: £109m) and statutory basic EPS was 32.0p (HY2023: 30.6p).

Statutory cash-flow

Statutory net cash inflow from operating activities for the total Group was £168m (HY2023: £100m). See note 16 of the financial statements for a reconciliation of headline operating cash-flow to statutory cash-flow.

Pensions

Included within free cash-flow was £3m of pension contributions (HY2023: £3m). These contributions relate to unfunded, overseas schemes and healthcare arrangements.

As previously announced, it is not anticipated that any further contributions will be made to the TI Group Pension Scheme ("TIGPS"), as the liabilities of which have now been insured via a series of buy-in annuities. Smiths and the TIGPS Trustee are working toward final buy-out of the scheme to deliver certainty for the Scheme's 20,000 members and remove future risk for Smiths.

The other major pension scheme, Smiths Industries Pension Scheme ("SIPS") is estimated to be in surplus on the Technical Provisions funding basis, and no cash contributions are currently being made. The Group and the SIPS Trustee continue to work together to progress towards the long-term funding target of full buy-out funding.

The two main UK pension schemes and the US pension plan are well hedged against changes in interest and inflation rates. The entirety of their assets are invested in third-party annuities, government bonds, investment grade credit or cash, with no remaining equity investments. As at 31 January 2024, over 60% of the UK liabilities had been de-risked through the purchase of annuities from third party insurers.

Foreign exchange

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

	Average rates		Period-end rates	
	31 Jan 2024 (6 months)	31 Jan 2023 (6 months)	31 Jan 2024	31 Jan 2023
USD	1.25	1.18	1.27	1.23
EUR	1.16	1.15	1.17	1.13

Outlook

For FY2024, we reaffirm our guidance of organic revenue growth within our medium-term target range of 4-6%, underpinned by record order books. We expect growth to improve in the second half, supported by continued strength in end markets such as aerospace, security and energy, and gradually improving market conditions in US HVAC and semiconductors. We also reaffirm our expectation for continued margin expansion in FY2024.

Business review

JOHN CRANE

John Crane is a leading provider of mission-critical engineered solutions, improving customers' reliability and sustainability in process industries. 63% of revenue is derived from the energy sector (downstream and midstream oil & gas and power generation, including renewable and sustainable energy sources). 37% is from other process industries including chemical, life sciences, mining, water treatment and pulp & paper. 73% of John Crane revenue is from aftermarket sales. John Crane represents 37% of Group revenue.

	HY2024 £m	HY2023 £m	Reported growth	Organic growth
Revenue	**555**	**519**	**+7.1%**	**+12.7%**
Original Equipment	80	83	(4.3)%	+0.3%
Aftermarket	271	233	+16.5%	+22.5%
Energy	**351**	**316**	**+11.0%**	**+16.6%**
Original Equipment	72	73	(0.0)%	+5.0%
Aftermarket	132	130	+1.7%	+7.4%
General Industrial	**204**	**203**	**+1.1%**	**+6.5%**
Headline operating profit	**128**	**114**	**+12.7%**	**+18.3%**
Headline operating profit margin	**23.0%**	**22.0%**	**+100bps**	**+110bps**
Statutory operating profit	106	99		
Return on capital employed	25.1%	21.7%		
R&D cash costs as % of sales	1.6%	2.0%		

Revenue

£m	HY2023 reported	Foreign exchange	Organic movement	HY2024 reported
Revenue	519	(26)	**62**	**555**

John Crane continued its strong organic growth performance and has now delivered eleven consecutive quarters of growth as it executes on its record order book. For the first half, John Crane delivered organic revenue growth of +12.7%, with a particularly strong performance in the first quarter. Aftermarket sales, which comprise 73% of sales (HY2023: 70%), grew +17.1%, while OE grew +2.5%, both on an organic basis.

Order intake grew +10.9% in the half, and the sustained high order book supports a positive outlook and continued growth through the second half of the year.

Reported revenue grew to £555m, which was up +7.1%, reflecting strong organic growth, partially offset by a negative foreign exchange impact.

In Energy, organic revenue grew +16.6%, benefiting from an increased focus on energy security and higher demand for energy efficiency and emissions reduction. Regionally, there was a strong performance in the Middle East and Asia for our advanced seals and gas compression products.

John Crane is well positioned to support customers with their decarbonisation goals with 30% of its sales coming from products and services which provide some type of decarbonisation benefit. John Crane won several notable energy transition project contracts in the first half – including one to supply dry gas seals for three supercritical CO_2 compressors of a large-scale blue hydrogen project in the USA, and a significant contract to supply wet seals for almost a hundred pumps to a zero-emission vehicle electric battery manufacturing facility, also in the USA.

In January, John Crane celebrated a key milestone for its CCUS offering, supplying its 1,100th sealing product for CO_2-related applications. John Crane has been a constant enabler of technology since installing its very first dry gas seal at a carbon capture facility in 1996, working to reduce emissions for its customers. The pipeline of opportunities John Crane is pursuing within energy transition in CCUS, hydrogen and biofuels continues to expand rapidly.

The Industrial segment grew +6.5% organically, with good growth across both OE and aftermarket sales, driven by broad-based demand and particular strength in water, pharmaceutical and marine sales.

Operating profit and ROCE

£m	HY2023 reported	Foreign exchange	**Organic movement**	**HY2024 reported**
Headline operating profit	114	(6)	**20**	**128**
Headline operating profit margin	22.0%			**23.0%**

Headline operating profit of £128m grew +18.3% on an organic basis, resulting in +110bps of margin expansion. This was driven by increased volumes with good operating leverage, partially offset by higher investment in growth to service the strong demand and deliver future opportunities. Pricing offsetting inflation and the benefits from SES projects supported margin expansion to 23.0%.

On a reported basis, headline operating profit was up +12.7%, which included a negative foreign exchange impact. The difference between statutory and headline operating profit mainly relates to the net cost of the provision for John Crane, Inc. asbestos litigation.

ROCE was 25.1%, up 340bps, reflecting headline operating profit growth.

R&D

Cash R&D expenditure was 1.6% of sales (HY2023: 2.0%). John Crane's continued investment in R&D is primarily focused on gas compression projects and enhancing the efficiency, performance and sustainability of heavy-duty seals and hydrogen compressors.

John Crane is well placed to support energy transition projects with its extreme temperatures/high pressure sealing solutions. John Crane continues to work with universities to develop and bring to market these innovative technologies and solutions that will help solve customer challenges and accelerate the decarbonisation agenda.

SMITHS DETECTION

Smiths Detection is a global leader in the detection and identification of threats and contraband, supporting safety, security and freedom of movement. It produces equipment for customers in the Aviation market and Other Security Systems for ports & borders, defence and urban security markets.
54% of Smiths Detection's sales are derived from the aftermarket. Smiths Detection represents 27% of Group revenue.

	HY2024 £m	HY2023 £m	Reported growth	Organic growth
Revenue	**404**	**390**	**+3.6%**	**+8.9%**
Original Equipment	112	110	+0.8%	+5.7%
Aftermarket	157	153	+2.7%	+8.0%
Aviation	**269**	**263**	**+1.9%**	**+7.0%**
Original Equipment	74	79	(5.3)%	(0.1)%
Aftermarket	61	48	+27.8%	+34.1%
Other Security Systems	**135**	**127**	**+7.2%**	**+12.8%**
Headline operating profit	**43**	**41**	**+4.1%**	**+10.3%**
Headline operating profit margin	**10.7%**	**10.5%**	**+20bps**	**+20bps**
Statutory operating profit	33	24		
Return on capital employed	7.9%	7.2%		
R&D cash costs as % of sales	7.6%	8.4%		

Revenue

£m	HY2023 reported	Foreign exchange	Organic movement	HY2024 reported
Revenue	390	(19)	**33**	**404**

Smiths Detection delivered +8.9% organic revenue growth in the first half, converting strong orders to revenue, with growth across most segments. Aftermarket revenue grew +14.2% organically, making up 54% of sales (FY2023: 51%).

Orders grew +38.2% in the half, with several large multi-year contracts awarded, supporting revenue growth in FY2024 and beyond.

Reported revenue was up +3.6% reflecting organic growth, partially offset by an unfavourable foreign exchange impact.

In Aviation, organic revenue grew +7.0%, reflecting continued strong demand for Smith Detection's latest range of 3D-image computed tomography ("CT") machines for cabin baggage, CTiX. Smiths Detection continues to achieve a strong win rate in aviation with key contract wins in all regions globally and to date, has now sold more than 1,200 CTiX scanners. Notable wins in the first half included Australia, Czech Republic, France, Germany, Japan, Saudi Arabia, the UK and the USA.

Other Security Systems sales grew +12.8% organically, notably in aftermarket. Order intake in defence was particularly strong for chemical detection, driven by a multi-year contract for an initial £88 million from the UK Ministry of Defence, for next generation chemical detection equipment. This followed an award from the US Department of Defense to supply next generation portable aerosol and vapour chemical agent detectors. In urban security, Smiths Detection provided security screening at COP28 and its X-ray screening equipment was used to protect the NFL Super Bowl.

Operating profit and ROCE

£m	HY2023 reported	Foreign exchange	Organic movement	HY2024 reported
Headline operating profit	41	(2)	**4**	**43**
Headline operating profit margin	10.5%			**10.7%**

Headline operating profit was up +10.3% on an organic basis for the year, supported by the strong organic revenue growth and SES benefits. On a reported basis, headline operating profit was up +4.1%, including a moderate negative foreign exchange translation.

Headline operating profit margin of 10.7% was up 20bps on both an organic and a reported basis reflecting the positive benefits of SES and cost actions. This was partly offset by the expansion in field service engineers to support the high installation activity. Further, over the longer term, higher margin aftermarket revenue associated with new OE sales, our continued SES initiatives, and a positive mix impact from new defence contracts coming online are expected to support continued margin expansion.

The difference between statutory and headline operating profit primarily reflects amortisation of acquired intangibles.

ROCE increased by +70bps to 7.9%, driven by the headline operating profit growth.

R&D

Cash R&D representing 7.6% of sales (HY2023: 8.4%) supports Smiths Detection investment in next-generation detection capabilities and included £9m in customer funded projects (FY2023: £9m). Smiths Detection also benefits from external R&D funding, and during the first half, was selected for EU funding as part of a consortium to develop new AI-based algorithms for automatic detection of narcotics in passenger baggage, and to develop a maritime customs border control screening system for portable screening technology for shipping containers.

FLEX-TEK

Flex-Tek provides innovative solutions to heat and move fluids and gases for industrial and aerospace applications that support energy efficiency and improved air quality. 81% of Flex-Tek's revenue is derived from Industrials and 19% from the Aerospace sector. Flex-Tek represents 25% of Group revenue.

	HY2024 £m	HY2023 £m	Reported growth	Organic growth
Revenue	**384**	**395**	**(2.8)%**	**(4.1)%**
General Industrial	310	326	(4.8)%	(7.6)%
Aerospace	74	69	+6.3%	+12.1%
Headline operating profit	**81**	**77**	**+5.3%**	**+2.6%**
Headline operating profit margin	**21.2%**	**19.5%**	**+170bps**	**+140bps**
Statutory operating profit	74	64		
Return on capital employed	26.1%	26.6%		
R&D cash costs as % of sales	0.4%	0.4%		

Revenue

£m	HY2023 reported	Foreign exchange	Acquisitions	Organic movement	HY2024 reported
Revenue	395	(22)	26	**(15)**	**384**

Organic revenue declined (4.1)% in the first half. Revenue on a reported basis declined (2.8)%, with a (£15m) organic decline and a (£22m) negative foreign exchange translation impact, partly offset by a +£26m contribution from HCP, which was acquired in August 2023.

In General Industrial, organic revenue was (7.6)% lower in the first half versus a tough comparator last year. As expected, soft US residential construction activity continued to impact our HVAC sales, which started to slow in the second half of last year. Market expectations that mortgage rates will continue to moderate, combined with a meaningful housing inventory deficit and improving builder confidence, inform our expectation that our HVAC sales will improve in the second half. Combined with continued strong aerospace sales, we anticipate that Flex-Tek will return to growth in the second half.

In Aerospace, organic revenue grew +12.1% in the first half, supported by an increasing number of aircraft builds. A strong order book supports our expectation for continued good growth into the second half.

Operating profit and ROCE

£m	HY2023 reported	Foreign exchange	Acquisitions	Organic movement	HY2024 reported
Headline operating profit	77	(4)	6	**2**	**81**
Headline operating profit margin	19.5%				**21.2%**

Headline operating profit grew +2.6% on an organic basis. The decline in revenue was offset by a higher gross margin, reflecting tight cost control in light of the lower volume, plus positive mix impacts reflecting new industrial heating contracts and the contribution of HCP.

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

ROCE decreased (50)bps to 26.1%, with profit growth offset by the foreign exchange impact.

The integration of HCP is progressing ahead of plan. The acquisition expanded Flex-Tek's presence in the North American HVAC market by extending its customer base in the midwest and north-east, and broadened its product range, including HCP's patented axial and radial seal duct technology.

R&D

Cash R&D expenditure grew in-line with sales, remaining at 0.4% of sales (HY2023: 0.4%). R&D is focused on developing new products for the construction and aerospace markets, and new electrification opportunities within industrial markets.

SMITHS INTERCONNECT

Smiths Interconnect designs high performance connectivity solutions for demanding applications in the aerospace and defence, semiconductor test, and industrial end-markets. Smiths Interconnect represents 11% of Group revenue.

	HY2024 £m	HY2023 £m	Reported growth	Organic growth
Revenue	**164**	**193**	**(15.3)%**	**(13.7)%**
Headline operating profit	**20**	**32**	**(37.4)%**	**(33.3)%**
Headline operating profit margin	**12.2%**	**16.6%**	**(440)bps**	**(370)bps**
Statutory operating profit	19	30		
Return on capital employed	10.5%	15.8%		
R&D cash costs as % of sales	6.8%	6.5%		

Revenue

£m	HY2023 reported	Foreign exchange	Acquisitions	Organic movement	HY2024 Reported
Revenue	193	(9)	5	**(25)**	**164**

Smiths Interconnect's organic revenue declined in the first half, reflecting continued weakness in the semiconductor market and a slower market in connectors resulting in part from customer destocking, as well as a tough year-on-year comparator in both these segments. A double-digit contraction in the first quarter was followed by a flat second quarter, resulting in a (13.7)% organic decline overall for the first half.

Reported revenue decreased (15.3)% reflecting a negative foreign exchange impact and a £5m contribution from Plastronics which has strengthened the semiconductor product portfolio and provided greater exposure to automotive and industrial end markets.

Although the semiconductor market downturn has been longer than expected, activity levels are starting to increase and alongside good growth in space and defence-related programmes, orders returned to growth in the second quarter, with a positive book to bill for the division.

Operating profit and ROCE

£m	HY2023 reported	Foreign exchange	Acquisitions	Organic movement	HY2024
Headline operating profit	32	(2)	(0)	**(10)**	**20**
Headline operating profit margin	16.6%				**12.2%**

Headline operating profit declined (33.3)% on an organic basis, resulting in a (370)bps reduction in operating profit margin to 12.2%. The decline was driven by lower volumes more than offsetting pricing, SES benefits and the impact of cost control initiatives. Headline operating profit was down (37.4)%, mostly reflecting the organic revenue decline.

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

ROCE reduced (530)bps to 10.5% driven by the lower operating profit.

R&D

Cash R&D expenditure as a percentage of sales was 6.8% of sales (HY2023: 6.5%). R&D is focused on developing new products that improve connectivity and product integrity in demanding operating environments. Product launches during the first half included a high-density electrical connector for the medical market and a new series of fixed attenuators and Thermopad® products for use in space, defence and aerospace applications.

Space grade products are a key development focus, and in the first half, Smiths Interconnect received funding from the UK Space Agency of around £2m through its ‘Space Clusters Infrastructure Fund’. Smiths Interconnect will use the funding to enhance its Dundee-based Space Qualification Laboratory, which simulates the extreme conditions of space to assure the quality and durability of space components.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a risk management structure and internal controls in place which are designed to identify, manage and mitigate business risks. Smiths faces a number of risks and uncertainties which could have a material impact on the Group's long-term performance.

Principal risks and uncertainties

The Group has a risk management structure and internal controls in place which are designed to identify, manage and mitigate business risks. Smiths faces a number of risks and uncertainties which could have a material impact on the Group's long-term performance. The Group's principal risks and uncertainties at 31 July 2023 are detailed on pages 68 to 74 of the 2023 Annual Report. The principal risks and uncertainties affecting the Group for the remaining six months of the financial year continue to be those set out briefly below and more fully in the Annual Report.

- **Organic growth**: Failure to deliver anticipated organic growth, which may lead to missing strategic growth targets and shareholder value erosion.
- **Climate change**: Failure to identify and act on the significant opportunities arising from the world's transition to a low-carbon economy and/or failure to respond appropriately to climate change risks and regulation.
- **Technology**: If we fail to maintain our technological differentiation and our innovation pipeline does not meet customers' evolving requirements, we may lose market share to a new or existing competitor. This could impact our financial performance and our ability to attract and retain talent.
- **People**: Failing to attract, develop, and retain the right people with the right skills may affect our ability to achieve our commercial ambitions.
- **Business continuity**: Disruption to our supply chain, manufacturing or service operations, or customers' operations could impact our financial performance.
- **Economy and geopolitics**: The challenging economic and geopolitical environment in which we operate may have an adverse effect on demand for our products, our cost structure, pricing strategies, profitability and market share. External adverse events could cause an unanticipated and sudden disruption to our business.
- **Commercial**: Failure to act in a timely manner and adapt our market strategy in response to changes in the commercial environment in which we operate may result in an adverse effect on our financial performance and market share.
- **Product quality**: Failure of one of our products, including failure due to non-compliance with product regulation, may result in financial loss and reputational damage. In the ordinary course of business, we could be subject to material product liability claims and lawsuits, including potential class actions from customers or third parties.
- **Cyber security**: Cyber-attacks attempting to compromise the confidentiality, integrity and availability of IT systems and the data held on them are a continuing risk. We operate in markets and product areas which are known to be of interest to cyber criminals. Digitalisation and increased interconnectivity of our products intensifies the risk.
- **Legal and compliance**: We have more than 15,000 colleagues in more than 50 countries. Individuals may not all behave in accordance with the Group's Values and in accordance with ethical and legal requirements. We operate within increasingly complex legal regimes, often in highly regulated markets and with governments, customers and suppliers requiring strict adherence to laws. We may fail to deliver contracted products and services or fail in our contractual execution due to delays or breaches by our suppliers or other counterparties.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and

- the interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board of directors:

Paul Keel
Chief Executive Officer

Clare Scherrer
Chief Financial Officer

25 March 2024

INDEPENDENT REVIEW REPORT TO SMITHS GROUP PLC

Conclusion

We have been engaged by Smiths Group Plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2024 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half- yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Mike Barradell

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

25 March 2024

Consolidated income statement (unaudited)

	Notes	Six months ended 31 January 2024 Headline £m	Non-headline (note 3) £m	Total £m	Six months ended 31 January 2023 Headline £m	Non-headline (note 3) £m	Total £m
CONTINUING OPERATIONS							
Revenue	2	1,507	–	1,507	1,497	–	1,497
Operating costs	2	(1,261)	(54)	(1,315)	(1,256)	(54)	(1,310)
Operating profit/(loss)		**246**	**(54)**	**192**	**241**	**(54)**	**187**
Interest receivable		11	–	11	21	–	21
Interest payable		(29)	–	(29)	(38)	(2)	(40)
Other financing losses		–	(6)	(6)	–	(5)	(5)
Other finance income – retirement benefits		–	3	3	–	4	4
Finance costs		(18)	(3)	(21)	(17)	(3)	(20)
Profit/(loss) before taxation		**228**	**(57)**	**171**	**224**	**(57)**	**167**
Taxation	5	(59)	(1)	(60)	(58)	(6)	(64)
Profit/(loss) for the period from continuing operations		**169**	**(58)**	**111**	**166**	**(63)**	**103**
DISCONTINUED OPERATIONS							
Profit for the period from discontinued operations	3	–	–	–	–	6	6
PROFIT/(LOSS) FOR THE PERIOD		**169**	**(58)**	**111**	**166**	**(57)**	**109**
Attributable to							
Smiths Group shareholders – continuing operations		169	(58)	111	166	(63)	103
Smiths Group shareholders – discontinued operations		–	–	–	–	6	6
		169	**(58)**	**111**	**166**	**(57)**	**109**
Earnings per share	4						
Basic				32.0p			30.6p
Basic – continuing				32.0p			28.9p
Diluted				32.0p			30.5p
Diluted – continuing				32.0p			28.9p
Dividends per share (declared)	14			**13.55p**			**12.90p**

Consolidated statement of comprehensive income (unaudited)

	Notes	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Profit for the period		**111**	**109**
Other comprehensive income (OCI)			
OCI which will not be reclassified to the income statement:			
Re-measurement of post-retirement benefits assets and obligations		(100)	(109)
Taxation on post-retirement benefits movements		12	14
Fair value movements on financial assets at fair value through OCI		(167)	27
		(255)	(68)
OCI which will be reclassified and reclassifications:			
Fair value gains and reclassification adjustments:			
– deferred in the period on cash-flow and net investment hedges		(2)	(13)
– reclassified to income statement on cash-flow hedges		–	3
		(2)	(10)
Foreign exchange movements net of recycling:			
Exchange gains on translation of foreign operations		5	2
		5	2
Total other comprehensive expenditure for the period, net of taxation		**(252)**	**(76)**
Total comprehensive income		**(141)**	**33**
Attributable to			
Smiths Group shareholders		(141)	33
Non-controlling interests		–	–
		(141)	**33**

Total comprehensive income attributable to Smiths Group shareholders arising from		
Continuing operations	(141)	27
Discontinued operations	–	6
	(141)	**33**

Consolidated balance sheet (unaudited)

	Notes	31 January 2024 £m	31 July 2023 £m
Non-current assets			
Intangible assets	7	1,557	1,521
Property, plant and equipment	8	259	247
Right of use assets	9	112	105
Financial assets – other investments	10	193	371
Retirement benefit assets	6	101	195
Deferred tax assets		97	95
Trade and other receivables		86	75
		2,405	**2,609**
Current assets			
Inventories		649	637
Current tax receivable		51	47
Trade and other receivables		777	772
Cash and cash equivalents	11	180	285
Financial derivatives	11	3	5
		1,660	**1,746**
Total assets		**4,065**	**4,355**
Current liabilities			
Financial liabilities:			
– short-term borrowings	11	(8)	(3)
– lease liabilities	11	(32)	(26)
– financial derivatives	11	(3)	(2)
Provisions	13	(71)	(70)
Trade and other payables		(679)	(723)
Current tax payable		(76)	(74)
		(869)	**(898)**
Non-current liabilities			
Financial liabilities:			
– long-term borrowings	11	(540)	(534)
– lease liabilities	11	(93)	(91)
– financial derivatives	11	(12)	(18)
Provisions	13	(225)	(216)
Retirement benefit obligations	6	(114)	(106)
Corporation tax payable		(3)	(3)
Deferred tax liabilities		(43)	(43)
Trade and other payables		(40)	(40)
		(1,070)	**(1,051)**
Total liabilities		**(1,939)**	**(1,949)**
Net assets		**2,126**	**2,406**
Shareholders' equity			
Share capital	18	130	131
Share premium account	18	365	365
Capital redemption reserve		25	24
Merger reserve		235	235
Cumulative translation adjustments		391	386
Retained earnings		1,148	1,431
Hedge reserve		(190)	(188)
Total shareholders' equity		**2,104**	**2,384**
Non-controlling interest equity		22	22
Total equity		**2,126**	**2,406**

Consolidated statement of changes in equity (unaudited)

	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 period		–	–	–	111	–	111	–	111
Other comprehensive income:									
– foreign exchange movements net of recycling		–	–	5	–	–	5	–	5
– re-measurement of post-retirement benefits and related tax		–	–	–	(88)	–	(88)	–	(88)
– fair value gains/(losses) and related tax		–	–	–	(167)	(2)	(169)	–	(169)
Total comprehensive income for the period		**–**	**–**	**5**	**(144)**	**(2)**	**(141)**	**–**	**(141)**
Transactions relating to ownership interests									
Purchase of shares by Employee Benefit Trust		–	–	–	(16)	–	(16)	–	(16)
Share buybacks	18	(1)	1	–	(29)	–	(29)	–	(29)
Dividends:									
– equity shareholders	14	–	–	–	(100)	–	(100)	–	(100)
Share-based payment		–	–	–	6	–	6	–	6
At 31 January 2024		**495**	**260**	**391**	**1,148**	**(190)**	**2,104**	**22**	**2,126**

	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 period		–	–	–	109	–	109	–	109
Other comprehensive income:									
– foreign exchange movements net of recycling		–	–	2	–	–	2	–	2
– re-measurement of post-retirement benefits and related tax		–	–	–	(95)	–	(95)	–	(95)
– fair value losses and related tax		–	–	–	27	(10)	17	–	17
Total comprehensive income for the period		**–**	**–**	**2**	**41**	**(10)**	**33**	**–**	**33**
Transactions relating to ownership interests									
Purchase of shares by Employee Benefit Trust		–	–	–	(24)	–	(24)	–	(24)
Share buybacks	18	(3)	3	–	(144)	–	(144)	–	(144)
Dividends:									
– equity shareholders	14	–	–	–	(97)	–	(97)	–	(97)
Share-based payment		–	–	–	8	–	8	–	8
At 31 January 2023		**498**	**257**	**489**	**1,443**	**(212)**	**2,475**	**22**	**2,497**

Consolidated cash-flow statement (unaudited)

	Notes	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Net cash inflow from operating activities	16	168	**100**
Cash-flows from investing activities			
Expenditure on capitalised development		(7)	(7)
Expenditure on other intangible assets		(1)	(3)
Purchase of property, plant and equipment		(30)	(26)
Return of capital from financial assets		1	–
Acquisition of businesses		(65)	(22)
Payments on disposal of subsidiaries, net of cash disposed		–	(7)
Net cash-flow used in investing activities		**(102)**	**(65)**
Cash-flows from financing activities			
Share buybacks	18	(29)	(144)
Purchase of shares by Employee Benefit Trust		(16)	(24)
Settlement of share awards in cash		(2)	–
Dividends paid to equity shareholders and non-controlling interests		(100)	(97)
Cash inflow/(outflow) from matured derivative financial instruments		1	(10)
Lease payments		(19)	(18)
Net cash-flow used in financing activities		**(165)**	**(293)**
Decrease in cash and cash equivalents		**(99)**	**(258)**
Cash and cash equivalents at beginning of the period		285	1,055
Exchange differences		(6)	(2)
Cash and cash equivalents at end of the period		**180**	**795**
Cash and cash equivalents at end of the period comprise:			
– cash at bank and in hand		111	197
– short-term deposits		69	598
		180	**795**

Notes to the condensed interim financial statements (unaudited)

1 Basis of preparation

The financial information for the period ended 31 January 2024 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 July 2023 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial report for the half-year reporting period ended 31 January 2024 included in this announcement has been prepared on a going concern basis using accounting policies consistent with UK-adopted International Accounting Standards, in accordance with IAS 34 Interim Financial Reporting, and in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 July 2023, which has been prepared in accordance with UK-adopted International Accounting Standards.

The interim financial statements are prepared on a going concern basis. The Directors have assessed the principal risks discussed on page 19. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these condensed consolidated interim financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The interim financial information was approved by the Board on 25 March 2024.

Accounting policies

The same accounting policies, estimates, presentation and methods of computation are followed in the condensed interim financial statements as applied in the Group's latest annual audited financial statements.

New standards and interpretations not yet adopted

No 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.

Presentation of results

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 a form consistent with the prior year.

Judgement is required in determining which items should be included as non-headline. The amortisation 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.

Performance measures for the Group's ongoing trading activity are described as 'headline' and used by management to measure and monitor performance. See note 2 for disclosures of headline operating profit and note 19 for more information about the alternative performance measures ('APMs') used by the Group.

In addition, the Group reports organic growth rates for revenue and underlying growth rates for profit where the determination of adjustments requires judgement. See note 19 for more information about the key performance indicators (KPIs) used by the Group.

2 Analysis of revenue, operating costs and segment information

Analysis by operating segment

The Group is organised into four divisions: John Crane, Smiths Detection, Flex-Tek and Smiths Interconnect. These divisions design and manufacture 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 division is 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 divisional results and operating assets to monitor divisional position. See note 3 and note 19 for more information on which items are excluded from headline profit measures.

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

Segment trading performance

						Six months ended 31 January 2024
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate costs £m	Total £m
Revenue	555	404	384	164	–	1,507
Divisional headline operating profit	128	43	81	20	–	272
Corporate headline operating costs	–	–	–	–	(26)	(26)
Headline operating profit/(loss)	**128**	**43**	**81**	**20**	**(26)**	**246**
Items excluded from headline measures (note 3)	(22)	(10)	(7)	(1)	(14)	(54)
Operating profit/(loss) for the period	**106**	**33**	**74**	**19**	**(40)**	**192**
Headline operating margin	23.0%	10.7%	21.2%	12.2%		16.3%

						Six months ended 31 January 2023
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate costs £m	Total £m
Revenue	519	390	395	193	–	1,497
Divisional headline operating profit	114	41	77	32	–	264
Corporate headline operating costs	–	–	–	–	(23)	(23)
Headline operating profit/(loss)	**114**	**41**	**77**	**32**	**(23)**	**241**
Items excluded from headline measures (note 3)	(15)	(17)	(13)	(2)	(7)	(54)
Operating profit/(loss) for the period	**99**	**24**	**64**	**30**	**(30)**	**187**
Headline operating margin	22.0%	10.5%	19.5%	16.6%		16.1%

Segment assets and liabilities

Segment assets

						31 January 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	161	147	101	66	200	675
Inventory, trade and other receivables	513	571	244	164	20	1,512
Segment assets	**674**	**718**	**345**	**230**	**220**	**2,187**

						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 January 2024
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Divisional liabilities	(192)	(340)	(87)	(56)	–	(675)
Corporate and non-headline liabilities	–	–	–	–	(340)	(340)
Segment liabilities	**(192)**	**(340)**	**(87)**	**(56)**	**(340)**	**(1,015)**

						31 July 2023
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Corporate and non-headline £m	Total £m
Divisional 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 January 2024 £m	31 July 2023 £m	31 January 2024 £m	31 July 2023 £m
Segment assets and liabilities	**2,187**	**2,313**	**(1,015)**	**(1,049)**
Goodwill and acquired intangibles	1,446	1,415	–	–
Derivatives	3	5	(15)	(20)
Current and deferred tax	148	142	(122)	(120)
Retirement benefit assets and obligations	101	195	(114)	(106)
Cash and borrowings	180	285	(673)	(654)
Statutory assets and liabilities	**4,065**	**4,355**	**(1,939)**	**(1,949)**

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 (31 July 2023: £478m), and eliminate post-retirement benefit assets and liabilities and litigation provisions relating to non-headline items, both net of related tax, and net debt. See note 19 for additional details.

The 12-month rolling average capital employed by division, which Smiths uses to calculate divisional return on capital employed, is set out below:

					31 January 2024
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Total £m
Average divisional capital employed	1,026	1,158	587	477	3,248
Average corporate capital employed					(30)
Average capital employed					**3,218**

					31 January 2023
	John Crane £m	Smiths Detection £m	Flex-Tek £m	Smiths Interconnect £m	Total £m
Average divisional capital employed	1,006	1,088	558	435	3,087
Average corporate capital employed					(4)
Average capital employed – continuing operations					**3,083**

Analysis of revenue

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

John Crane	Original equipment £m	Aftermarket £m	Total £m
Revenue six months ended 31 January 2024	152	403	555
Revenue six months ended 31 January 2023	156	363	519

Smiths Detection	Aviation £m	Other security systems £m	Total £m
Revenue six months ended 31 January 2024	269	135	404
Revenue six months ended 31 January 2023	263	127	390

Flex-Tek	Aerospace £m	Industrials £m	Total £m
Revenue six months ended 31 January 2024	74	310	384
Revenue six months ended 31 January 2023	69	326	395

Smiths Interconnect	Components, Connectors & Subsystems £m
Revenue six months ended 31 January 2024	164
Revenue six months ended 31 January 2023	193

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

John Crane	General Industrial £m	Safety & Security £m	Energy £m	Aerospace £m	Total £m
Revenue six months ended 31 January 2024	204	–	351	–	555
Revenue six months ended 31 January 2023	203	–	316	–	519
Smiths Detection					
Revenue six months ended 31 January 2024	–	404	–	–	404
Revenue six months ended 31 January 2023	–	390	–	–	390
Flex-Tek					
Revenue six months ended 31 January 2024	310	–	–	74	384
Revenue six months ended 31 January 2023	326	–	–	69	395
Smiths Interconnect					
Revenue six months ended 31 January 2024	74	66	–	24	164
Revenue six months ended 31 January 2023	95	71	–	27	193
Total					
Revenue six months ended 31 January 2024	588	470	351	98	1,507
Revenue six months ended 31 January 2023	624	461	316	96	1,497

The Group's statutory revenue is analysed as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Sale of goods recognised at a point in time	1,093	1,113
Sale of goods recognised over time	28	31
Services recognised over time	386	353
Revenue	**1,507**	**1,497**

Operating costs

Headline operating costs are analysed as follows:

	Six months ended 31 January 2024			Six months ended 31 January 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	945	–	945	945	–	945
Selling costs	107	–	107	112	–	112
Administrative expenses	209	54	263	199	54	253
Operating costs	**1,261**	**54**	**1,315**	**1,256**	**54**	**1,310**

3 Non-statutory profit measures

Headline profit measures

The Group seeks to present a measure of performance which is not impacted by material non-recurring items or items considered non-operational in nature. This measure of profit is described as 'headline' and is used by management to measure and monitor 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 are as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Fair value adjustment changes to financial assets		
Fair value (loss) / gain on contingent consideration	(10)	5
Acquisition and disposal related transaction costs		
Business acquisition costs	(1)	(1)
Legacy pension scheme arrangements		
Past service costs for benefit equalisation	–	(10)
Scheme administration costs	(3)	(1)
Settlement losses on post-retirement benefit schemes	–	(1)
Non-headline litigation provision movements		
Provision for John Crane, Inc. asbestos litigation	(22)	(13)
Cost recovery for John Crane, Inc. asbestos litigation	–	3
Movement in provision held against Titeflex Corporation subrogation claims	7	–
Other items		
Amortisation of acquisition related intangible assets	(25)	(26)
Restructuring costs	–	(8)
Irrecoverable VAT on chain export transactions	–	(2)
Non-headline items in operating profit	**(54)**	**(54)**

Fair value adjustment changes to financial assets

Following the sale of Smiths Medical to ICU Medical, Inc. (ICU) in FY22, the Group holds a financial asset for the fair value of $100m additional sales consideration that is contingent on the future share price performance of ICU. In HY24 a fair value loss of £10m (31 January 2023: £5m gain) has been recognised on this financial asset. 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.

Acquisition and disposal related transaction costs

The £1m (31 January 2023: £1m) business acquisition costs represented incremental transaction costs including the acquisition of HCP in HY24. These costs did not include the cost of employees working on transactions and were reported as non-headline because they are dependent on the level of acquisition and disposal activity in the year.

Legacy pension scheme arrangements

In the prior year, £10m of past service costs were recognised in respect of the equalisation of retirement benefits for men and women, no further costs have been recognised in the current year. These were treated as non-headline items as they are non-recurring and relate to legacy pension schemes.

Scheme administration costs of £3m (31 January 2023: £1m) relates 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 £22m charge (31 January 2023: £13m) in respect of John Crane, Inc. asbestos litigation is driven primarily by adverse judgements impacting the future expected indemnity costs. In the prior period, £3m of costs were recovered via insurer settlements. See note 13 for further details; and
- The £7m credit (31 January 2023: £nil) recognised by Titeflex Corporation was principally driven by a continued reduction in the number of claimants.

Other items

Acquisition related intangible asset amortisation costs of £25m (31 January 2023: £26m) were recognised in the current period. This is considered to be a non-headline item on the basis that these charges result from acquisition accounting and do not relate to current trading activity.

In the prior year, £8m of restructuring charges were incurred and treated as non-headline due to being material and part of a pre-approved programme, no further charges have been recognised in the current year.

In the prior year, £2m irrecoverable VAT was recognised that relates to a historic VAT classification error. This error had resulted in certain intercompany chain export transactions being treated as VAT exempt when they should have been initially classified as subject to German VAT, no further charges have been recognised in the current year. This was treated as non-headline as it relates to six years of past VAT practice and involves the payment and recovery of German VAT over multiple financial years.

Non-headline finance (costs)/income items

The non-headline items included in finance (costs)/income are as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Interest on overdue VAT	–	(2)
Other financing losses	(2)	(1)
Unwind of discount on provisions	(4)	(4)
Other finance income – retirement benefits	3	4
Non-headline items in finance (costs)/income	**(3)**	**(3)**
Non-headline loss before taxation	**(57)**	**(57)**

In the prior half year a £2m loss was recognised in respect of interest on the late payment of German VAT noted above, no further charges have been recognised in the current year. This interest charge was excluded from headline finance costs to maintain consistent treatment with the underlying issue to which it related.

Other financing losses represent foreign exchange movements on borrowings and fair value movements on financial instruments. The current period loss includes £1m (31 January 2023: £nil) due to foreign exchange translation losses and £1m (31 January 2023: £1m) due to hedge ineffectiveness on the Group's 2027 Eurobonds, which will reverse over the remaining period to maturity. These foreign exchange and fair value movements are excluded from headline net finance costs when the following requirements are met:

- Fair value gains and losses on the interest element of derivative financial instruments hedging the Group's net debt exposures are excluded from headline, as they will either reverse over time or be matched in future periods by interest charges.
- Fair value gains and losses on the currency element of derivative financial instruments hedging the Group's net debt and exposures, and exchange gains and losses on borrowings are excluded, as the relevant foreign exchange gains and losses on the commercially hedged items are recognised as a separate component of other comprehensive income, in accordance with the Group's foreign currencies accounting policy.

The financing elements of non-headline legacy liabilities, including the £4m (31 January 2023: £4m) unwind of discount on provisions, are excluded from headline finance costs because these provisions were originally recognised as non-headline and this treatment has been maintained for ongoing costs and credits.

Other finance income comprises £3m (31 January 2023: £4m) of financing credits relating to retirement benefits. These are excluded from headline finance costs because the ongoing costs and credits are a legacy of previous employee pension arrangements.

Non-headline taxation items

The non-headline items included in taxation are as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Increase in unrecognised UK deferred tax asset	(12)	(14)
Tax credit on non-headline loss	11	8
Non-headline taxation (charge)/credit– continuing operations	**(1)**	**(6)**
Continuing operations – non-headline gain/(loss) for the year	**(58)**	**(63)**

The non-headline taxation charge comprises a charge of £12m (31 January 2023: £14m charge) to adjust non-recognition of a deferred tax asset, where the offsetting deferred tax liability related to the UK legacy pension scheme surplus has been taken to OCI. Offsetting this charge are credits for the tax attributable to the non-headline items above.

ii. DISCONTINUED OPERATIONS

The non-headline items for discontinued operations are as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Gain on sale of discontinued operation		
Gain on the sale of Smiths Medical to ICU Medical, Inc.	–	6
Non-headline items in profit from discontinued operations	**–**	**6**
Profit for the period – non-headline items for continuing and discontinued operations	**(58)**	**(57)**

In the prior half year the Group recognised an additional £6m gain on the sale of Smiths Medical following the release of provisions that are no longer required, no further gain has been recognised in the current year.

4 Earnings per share

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

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Profit attributable to equity shareholders for the period		
- Continuing	111	103
- Discontinued	–	6
Total	111	109

	Six months ended 31 January 2024 No. of shares	Six months ended 31 January 2023 No. of shares
Weighted average number of shares in issue for basic earnings per share	346,626,154	356,572,308
Adjustment for potentially dilutive shares	161,251	294,496
Weighted average number of shares in issue for diluted earnings per share	346,787,405	356,866,804

	Six months ended 31 January 2024 pence	Six months ended 31 January 2023 pence
Statutory earnings per share continuing operations – basic	32.0p	28.9p
Statutory earnings per share continuing operations – diluted	32.0p	28.9p
Statutory earnings per share total – basic	32.0p	30.6p
Statutory earnings per share total – diluted	32.0p	30.5p

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

	Six months ended 31 January 2024			Six months ended 31 January 2023		
	£m	Basic EPS (p)	Diluted EPS (p)	£m	Basic EPS (p)	Diluted EPS (p)
Basic earnings per share:						
Total profit attributable to equity shareholders of the Parent Company	111	32.0p	32.0p	109	30.6	30.5
Exclude: Non-headline items (note 3)	58			57		
Headline earnings per share	**169**	**48.7p**	**48.7p**	**166**	**46.6**	**46.5**
Profit from continuing operations attributable to equity shareholders of the Parent Company	111	32.0p	32.0p	103	28.9	28.9
Exclude: Non-headline items (note 3)	58			63		
Headline earnings per share – continuing operations	**169**	**48.7p**	**48.7p**	**166**	**46.6**	**46.5**

5 Taxation

The interim tax rate of 35.0% (31 January 2023: 38.4%) is calculated by applying the estimated effective headline tax rate for continuing operations of 26.0% (31 January 2023: 26.0%) for the year ended 31 July 2024 to headline profit before tax and then taking into account the tax effect of non-headline items in the interim period.

A reconciliation of headline and total tax charge is as follows:

	Six months ended 31 January 2024		Six months ended 31 January 2023	
	Continuing operations £m	Tax rate	Continuing operations £m	Tax rate
Headline tax rate				
Headline profit before taxation	228		224	
Taxation on headline profit	(59)	26.0%	(58)	26.0%
Adjustments				
Non-headline items excluded from profit before taxation (note 3)	(57)		(57)	
Taxation on non-headline items and non-headline tax adjustment	(1)		(6)	
Total interim tax rate				
Profit before taxation	171		167	
Taxation	(60)	35.0%	(64)	38.4%

The changes in the value of the net tax asset in the period were:

	Current tax £m	Deferred tax £m	Net tax balance £m
At 31 July 2023	(30)	52	22
Charge to income statement	(50)	(10)	(60)
Charge to other comprehensive income	–	12	12
Tax paid	52	–	52
At 31 January 2024	**(28)**	**54**	**26**

Developments in the Group tax position

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published rules relating to global minimum taxation called "Pillar 2 rules" and the UK Finance (No.2) Act 2023 was enacted in July 2023, addressing the implementation of BEPS Pillar 2 to apply in the UK to accounting periods beginning on or after 1 January 2024 (year ending 31 July 2025 for Smiths). Smiths is actively working to fully understand the impact of the new rules and developing processes to enable compliance. The current estimate of additional tax payable is not expected to have a material impact on the Group.

6 Post-retirement benefits

The Group provides post-retirement benefits to employees in a number of countries throughout the world. The arrangements include defined benefit and defined contribution plans and, mainly in the United Kingdom (UK) and United States of America (US), post-retirement healthcare. The principal defined benefit pension plans are in the UK and US, and these have been closed so that no future benefits are accrued.

Where any individual scheme shows a post restriction 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 surplus is recognised as a retirement benefit asset to the extent the employers have the right to recover the surplus at the end of the life of the scheme, assuming all liabilities have been extinguished. The schemes are mature with a duration averaged over all scheme participants of 12 years.

The amounts recognised in the balance sheet are as follows:

	31 January 2024 £m	31 July 2023 £m
Market value of scheme assets	2,635	2,573
Present value of funded scheme liabilities	(2,547)	(2,383)
Surplus restriction	(14)	(16)
Surplus	74	174
Unfunded pension plans	(81)	(79)
Post-retirement healthcare	(6)	(6)
Present value of unfunded obligations	(87)	(85)
Net retirement benefit (obligation)/asset	**(13)**	**89**
Post-retirement assets	101	195
Post-retirement liabilities	(114)	(106)
Net retirement benefit (obligation)/asset	**(13)**	**89**

The increase in the value of scheme liabilities is principally due to changes in market conditions and the resulting reduction in the discount rate assumptions, as well as actuarial experience losses arising from the calibration to the latest valuation data. The changes in market conditions also led to a corresponding increase in the value of scheme assets and whilst this increase was broadly sufficient to offset the reduction in discount rate assumptions, it was not sufficient to offset the actuarial experience losses, leading to an overall reduction in the surplus recognised in the balance sheet at 31 January 2024.

The change in market conditions has had no impact on any funding arrangements.

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

	31 January 2024		31 July 2023	
	UK	US	UK	US
Weighted average rate of increase in benefits for active deferred members	4.0%	n/a	4.0%	n/a
Rate of increase in pensions in payment	3.3%	n/a	3.3%	n/a
Rate of increase in deferred pensions	3.3%	n/a	3.3%	n/a
Discount rate	4.8%	5.1%	5.1%	5.2%

The preliminary results of the 2023 triennial funding valuations for TIGPS and SIPS have been considered in order to determine the DBO as at 31 January 2024. The methods for setting the mortality assumptions for TIGPS and the US scheme are consistent with those used for the 31 July 2023 valuation. The method for setting the mortality assumptions for SIPS has been updated following analysis undertaken by the Scheme Actuary for the triennial funding valuation at 31 March 2023. 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. The Inflation Risk Premium used for the 31 July 2023 valuation was 0.2% p.a. The impact of changing the Inflation Risk Premium was to increase the DBO for TIGPS by £10m and for SIPS by £14m. The UK discount rate has been set based on the weighted average duration across the two key pension arrangements.

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

	31 January 2024 – £m			31 July 2023 – £m		
	SIPS	TIGPS	US schemes	SIPS	TIGPS	US schemes
Present value of funded scheme liabilities						
– Active deferred members	(14)	(10)	(31)	(25)	(18)	(31)
– Deferred members	(408)	(316)	(88)	(388)	(326)	(86)
– Pensioners	(937)	(631)	(87)	(838)	(561)	(85)
Present value of funded scheme liabilities	(1,359)	(957)	(206)	(1,251)	(905)	(202)
Market value of scheme assets	1,460	971	187	1,446	921	186
Surplus restriction	–	(14)	–	–	(16)	–
Surplus/(deficit)	**101**	**–**	**(19)**	**195**	**–**	**(16)**

Contributions

Company contributions to unfunded defined benefit pension and post-retirement healthcare plans totalled £3m (FY23: £3m). There have been no contributions to funded schemes in either the current or prior year.

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

	Six months ended 31 January 2024 £m	Year ended 31 July 2023 £m
At beginning of period	89	194
Foreign exchange rate movements	(1)	1
Current service cost	(2)	(2)
Headline scheme administration costs	(2)	(4)
Non-headline scheme administration costs	(3)	(2)
Past service costs, curtailments and settlements – benefit equalisations	–	4
Finance income – retirement benefits	3	7
Contributions by employer	3	5
Actuarial (losses)/gains	(100)	(114)
Net retirement benefit (obligation)/asset at end of period	**(13)**	**89**

Past service costs, curtailments and settlements

In SIPS, it has been discovered that the methods used in the early 1990s to equalise retirement ages between men and women in some of its smaller benefits sections was incorrect. An additional liability of £12m was recognised within the defined benefit obligation at 31 July 2023 to reflect these equalisation obligations, whilst £16m of previously recognised additional liabilities were released following the identification of additional evidence, resulting in a net past service credit of £4m at 31 July 2023. A wider review is being undertaken to determine if equalisation was undertaken correctly in other sections, with no further material additional liabilities currently identified or expected. This review is expected to be completed by the FY24 year-end.

7 Intangible assets

	Goodwill £m	Development costs £m	Acquired intangibles £m	Software, patents and intellectual property £m	Total £m
Cost					
At 31 July 2023	1,273	193	612	159	2,237
Exchange adjustments	7	–	5	1	13
Additions	–	7	–	1	8
Business combinations	12	–	34	–	46
At 31 January 2024	**1,292**	**200**	**651**	**161**	**2,304**
Amortisation					
At 31 July 2023	64	124	406	122	716
Exchange adjustments	–	–	2	–	2
Charge for the period	–	1	25	3	29
At 31 January 2024	**64**	**125**	**433**	**125**	**747**
Net book value at 31 January 2024	**1,228**	**75**	**218**	**36**	**1,557**
Net book value at 31 July 2023	1,209	69	206	37	1,521

Review for impairment assessment trigger events

In accordance with IAS 34 ‘Interim financial reporting’, management has undertaken a review for indications of impairment and concluded that no impairment assessment trigger events have occurred in the half year. It was noted in the FY23 annual report that Smiths Detection was the only Group CGU where a reasonable change in the impairment testing assumptions could result in the recognition of impairment charges.

8 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 31 July 2023	178	463	120	761
Exchange adjustments	–	1	–	1
Additions	4	22	4	30
Business combinations	–	5	–	5
Disposals	(2)	(7)	(1)	(10)
At 31 January 2024	**180**	**484**	**123**	**787**
Depreciation				
At 31 July 2023	110	302	102	514
Exchange adjustments	1	1	–	2
Charge for the period	4	14	4	22
Disposals	(2)	(7)	(1)	(10)
At 31 January 2024	**113**	**310**	**105**	**528**
Net book value at 31 January 2024	**67**	**174**	**18**	**259**
Net book value at 31 July 2023	68	161	18	247

9 Right of use assets

	Properties £m	Vehicles £m	Equipment £m	Total £m
Cost				
At 31 July 2023	190	27	2	219
Business combinations	12	–	–	12
Recognition of right of use assets	7	5	–	12
Derecognition of right of use assets	(5)	–	–	(5)
At 31 January 2024	**204**	**32**	**2**	**238**
Depreciation				
At 31 July 2023	94	19	1	114
Charge for the year	14	3	–	17
Derecognition of right of use assets	(5)	–	–	(5)
At 31 January 2024	**103**	**22**	**1**	**126**
Net book value at 31 January 2024	**101**	**10**	**1**	**112**
Net book value at 31 July 2023	96	8	1	105

10 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
At 31 July 2023	347	13	7	4	371
Fair value change through Profit and Loss	–	(10)	(1)	–	(11)
Fair value change through Other Comprehensive Income	(167)	–	–	–	(167)
At 31 January 2024	**180**	**3**	**6**	**4**	**193**

Following the sale of Smiths Medical the Group has recognised a financial asset for its investment in 10% of the equity in ICU Medical, Inc (ICU) and a financial asset for the fair value of $100m additional sales consideration that is contingent on the future share price performance of ICU. In February 2024, the Group sold 830,000 shares in ICU representing approximately 33% of Smiths' holding in ICU for net proceeds of circa £70m.

11 Borrowings and net cash/(debt)

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

	31 January 2024 £m	31 July 2023 £m
Cash and cash equivalents		
Net cash and cash equivalents	**180**	**285**
Short-term borrowings		
Lease liabilities	(32)	(26)
Interest accrual	(8)	(3)
	(40)	**(29)**
Long-term borrowings		
€650m 2.00% Eurobond 2027	(540)	(534)
Lease liabilities	(93)	(91)
	(633)	**(625)**
Borrowings/gross debt	**(673)**	**(654)**
Derivatives managing interest rate risk and currency profile of the debt	(12)	(18)
Net debt	**(505)**	**(387)**

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	–	–	–	(12)	(12)
Foreign exchange forward contracts	–	3	(3)	–	–
At 31 January 2024	**–**	**3**	**(3)**	**(12)**	**(12)**
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 net debt

	Cash and cash equivalents £m	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)
Foreign exchange gains/(losses)	(6)	–	2	–	(4)
Net (decrease)/increase in cash and cash equivalents	(99)	15	–	–	(84)
Lease liabilities acquired in a business combination	–	–	(12)	–	(12)
Net movement in lease liabilities	–	(12)	–	–	(12)
Fair value movement from interest rate hedging	–	–	(8)	–	(8)
Revaluation of derivative contracts	–	–	–	6	6
Net movement in finance cost accruals	–	(4)	–	–	(4)
Reclassification to short-term	–	(10)	10	–	–
At 31 January 2024	**180**	**(40)**	**(633)**	**(12)**	**(505)**

12 Fair value of financial instruments

	Basis for determining fair value	As at 31 January 2024 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	As at 31 July 2023 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	A	–	4	180	184	184	–	4	347	351	351
Other investments	F	–	3	6	9	9	–	13	7	20	20
Cash and cash equivalents	A	180	–	–	180	180	285	–	–	285	285
Trade and other financial receivables	B/C	719	–	–	719	719	726	–	–	726	726
Derivative financial instruments	C	–	3	–	3	3	–	5	–	5	5
Total financial assets		**899**	**10**	**186**	**1,095**	**1,095**	**1,011**	**22**	**354**	**1,387**	**1,387**
Financial liabilities											
Trade and other financial payables	B	(426)	–	–	(426)	(426)	(476)	–	–	(476)	(476)
Short-term borrowings	B/D	(8)	–	–	(8)	(8)	(3)	–	–	(3)	(3)
Long-term borrowings	D	(540)	–	–	(540)	(535)	(534)	–	–	(534)	(520)
Lease liabilities	E	(125)	–	–	(125)	(125)	(117)	–	–	(117)	(117)
Derivative financial instruments	C	–	(15)	–	(15)	(15)	–	(20)	–	(20)	(20)
Total financial liabilities		**(1,099)**	**(15)**	**–**	**(1,114)**	**(1,109)**	**(1,130)**	**(20)**	**–**	**(1,150)**	**(1,136)**

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

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

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 Fair Value Measurement).

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 Fair Value Measurement).

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

13 Provisions and contingent liabilities

	Headline £m	Non-headline and legacy John Crane, Inc. litigation £m	Titeflex Corporation litigation £m	Other £m	Total £m
Current liabilities	6	27	13	24	70
Non-current liabilities	2	177	28	9	216
At 31 July 2023	8	204	41	33	286
Foreign exchange rate movements	–	2	–	–	2
Business combinations	1	–	–	–	1
Provision charged	6	22	–	–	28
Provision released	(1)	–	(7)	–	(8)
Unwind of provision discount	–	3	1	–	4
Utilisation	(3)	(8)	(1)	(5)	(17)
At 31 January 2024	**11**	**223**	**34**	**28**	**296**
Current liabilities	9	31	12	19	71
Non-current liabilities	2	192	22	9	225
At 31 January 2024	**11**	**223**	**34**	**28**	**296**

The John Crane, Inc. and Titeflex Corporation litigation provisions are the only provisions which are discounted.

Headline provisions and contingent liabilities:

Warranty provision and product liability

At 31 January 2024 there are warranty and product liability provisions of £8m (31 July 2023: £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 Alertline', 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 provisions and contingent liabilities:

John Crane, Inc.

John Crane, Inc. ("JCI") is one of many co-defendants in numerous lawsuits pending in the US in which plaintiffs are claiming damages arising from alleged exposure to, or use of, products previously manufactured which contained asbestos. The JCI products generally referred to in these cases consist of industrial sealing product, primarily packing and gaskets. The asbestos was encapsulated within these products in such a manner that causes JCI to believe, based on tests conducted on its behalf, that the products were safe. JCI ceased manufacturing products containing asbestos in 1985.

The table below summarises the JCI claims experience over the last 40 years since the start of this litigation:

	31 January 2024	31 July 2023	31 July 2022	31 July 2021	31 July 2020
JCI claims experience					
Claims against JCI that have been dismissed	311,000	310,000	306,000	305,000	297,000
Claims in which JCI is currently a defendant	20,000	20,000	22,000	22,000	25,000
Cumulative final judgments, after appeals, against JCI since 1979	154	154	149	149	149
Cumulative value of awards ($m) since 1979	190	190	175	175	175

John Crane, Inc. litigation insurance recoveries

JCI has certain excess liability insurance which may provide coverage for certain asbestos claims. JCI has also collected recoveries from its insurers in settlement of now concluded litigation in the US. JCI meets its asbestos defence costs directly. The calculation of the provision does not take account of any recoveries from insurers. See table below for the cost recovery achieved in both the current and prior periods.

John Crane, Inc. litigation provision

The provision is based on past history and published tables of asbestos incidence projections and is determined using 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 judgments awarded.

The JCI asbestos litigation provision has developed in the period as follows:

	Six months ended 31 January 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	264	246	258	220	235
Discount	(41)	(42)	(29)	(8)	(4)
Discounted provision	223	204	229	212	231
Taxation	(56)	(51)	(57)	(54)	(59)
Discounted post-tax provision	**167**	**153**	**172**	**158**	**172**
Operating profit (credit)/charge					
Increased provision for adverse judgments and legal defence costs	19	28	24	10	14
Change in US risk free rates	2	(15)	(18)	(5)	16
Subtotal – items charged to the provision	21	13	6	5	30
Litigation management expense - legal fees in connection with litigation against insurers and defence strategy	1	2	1	1	1
Recoveries from insurers	–	(7)	–	(9)	(3)
Total operating profit charge/(credit)	**22**	**8**	**7**	**(3)**	**28**
Cash-flow					
Provision utilisation - legal defence costs and adverse judgements	(8)	(32)	(21)	(13)	(23)
Litigation management expense	–	(2)	(1)	–	(1)
Recoveries from insurers	–	7	–	9	3
Net cash outflow	**(8)**	**(27)**	**(22)**	**(4)**	**(21)**

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 may be incurred because of the significant uncertainty associated with the future level of asbestos claims and of the costs arising out of related litigation.

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 £202m and future spend at the 95th percentile of £259 (31 July 2023: £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 £248m and £274m (31 July 2023: between £228m and £257m), compared with the gross provision value of £264m (31 July 2023: £246m).

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 10 year time horizon. Reducing the time horizon by one year would reduce the discounted pre-tax provision by £16m (31 July 2023: £16m) and reducing it by five years would reduce the discounted pre-tax provision by £89m (31 July 2023: £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 discounted pre-tax provision by £14m (31 July 2023: £13m); extending it by five years would increase the discounted pre-tax provision by £49m (31 July 2023: £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 may evolve beyond 10 years is not reasonably estimable.

John Crane, Inc. contingent liabilities

Provision has been made for future defence costs and the cost of adverse judgments expected to occur. JCI's claims experience is significantly impacted by other factors which influence the US litigation environment. These 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 number of future claims, the nature of such claims or the cost to resolve them for years beyond the 10 year time horizon.

Titeflex Corporation litigation

In recent years Titeflex Corporation, a subsidiary of the Group in the Flex-Tek division, has received a number of claims 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 a number of product liability claims regarding this product, some in the form of purported class actions. Titeflex Corporation believes that its products are a safe and effective means of delivering gas when installed in accordance with the manufacturer's instructions and local and national codes; however some claims have been settled on an individual basis without admission of liability. 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 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 (revised in 2008) 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 FY21 claims history as the number of claims arising in this financial year is considered to be artificially deflated due to the impact of COVID-19 lockdowns.

The provision of £34m (31 July 2023: £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.

	31 January 2024 £m	31 July 2023 £m
Gross provision	64	78
Discount	(30)	(37)
Discounted pre-tax provision	**34**	**41**
Taxation	(8)	(9)
Discounted post-tax provision	**26**	**32**

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 may 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 discounted pre-tax provision would be £2m (31 July 2023: £2m) lower, and if the benefit were 0.5% lower, the discounted pre-tax provision would be £2m (31 July 2023: £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 discounted pre-tax provision would rise by £3m (31 July 2023: £3m), with an equivalent fall for a reduction of 10%. If the assumed amount of those settlements increased 10%, the discounted pre-tax provision would rise by £2m (31 July 2023: £2m), also with an equivalent fall for a reduction of 10%.

Other non-headline and legacy

Legacy provisions comprise provisions relating to former business activities and properties no longer used by Smiths. Non-headline provisions comprise all provisions that were disclosed as non-headline items when they were charged to the consolidated income statement. These provisions include non-headline reorganisation, separation expenses, disposal indemnities and litigation in respect of old products and discontinued business activities.

14 Dividends

The following dividends were declared and paid in the period:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Dividends paid in the period	**100**	**97**

In the current period an ordinary final dividend of 28.7p (31 January 2023: 27.3p) was paid on 24 November 2023.

An interim dividend of 13.55 pence per share was declared by the Board on 26 March 2024 and will be paid to shareholders on 13 May 2024. This dividend has not been included as a liability in these accounts and is payable to all shareholders on the register of members at close of business on 5 April 2024.

15 Acquisitions

On 30 August 2023, the Group acquired the business 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 division'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 January 2024, HCP contributed £26m to revenue and £6m 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 a further £4m to revenue and £1m to profit before taxation.

On 27 October 2023, the Group's Flex-Tek division acquired the business of Burns Machine (Burns) for consideration of approximately £1m, financed using the Group's own cash resources.

The provisional balance sheets at the dates of acquisition are:

		HCP £m	Burns £m	**Total £m**
Non-current assets	- acquired intangible assets	34	–	34
	- plant and machinery	4	1	5
	- 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	- deferred tax	(12)	–	(12)
Net assets acquired		**52**	**1**	**53**
Goodwill on current period acquisitions		12	–	12
Total consideration		**64**	**1**	**65**

16 Cash-flow from operating activities

	Six months ended 31 January 2024			Six months ended 31 January 2023		
	Headline £m	Non-headline (note 3) £m	Total £m	Headline £m	Non-headline (note 3) £m	Total £m
Operating profit/(loss)	246	(54)	192	241	(54)	187
Amortisation of intangible assets	4	25	29	5	26	31
Depreciation of property, plant and equipment	22	–	22	21	–	21
Depreciation of right of use assets	17	–	17	17	–	17
Loss/(gain) on fair value of contingent consideration	–	10	10	–	(5)	(5)
Share-based payment expense	8	–	8	8	–	8
Retirement benefits	4	–	4	1	10	11
(Increase) in inventories	(2)	–	(2)	(116)	–	(116)
(Increase)/decrease in trade and other receivables	(7)	3	(4)	21	–	21
(Decrease)/increase in trade and other payables	(38)	(8)	(46)	(8)	2	(6)
Increase/(decrease) in provisions	2	(1)	1	(3)	(16)	(19)
Cash generated from operations	**256**	**(25)**	**231**	**187**	**(37)**	**150**
Interest paid	(22)	–	(22)	(29)	–	(29)
Interest received	11	–	11	22	–	22
Tax paid	(63)	11	(52)	(43)	–	(43)
Net cash inflow/(outflow) from operating activities	**182**	**(14)**	**168**	**137**	**(37)**	**100**

The split of tax payments between headline and non-headline only considers the nature of payments made. No adjustment has been made for reductions in tax payments required as a result of tax relief received on non-headline items.

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 19 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:

	Six months ended 31 January 2024			Six months ended 31 January 2023		
	Headline £m	Non-headline £m	Total £m	Headline £m	Non-headline £m	Total £m
Net cash inflow/(outflow) from operating activities	**182**	**(14)**	**168**	**137**	**(37)**	**100**
Include:						
Expenditure on capitalised development, other intangible assets and property, plant and equipment	(38)	–	(38)	(36)	–	(36)
Repayment of lease liabilities	(19)	–	(19)	(18)	–	(18)
Investment in financial assets relating to operating activities	1	–	1	–	–	–
Free cash-flow			112			46
Exclude:						
Investment in financial assets relating to operating activities	(1)	–	(1)	–	–	–
Repayment of lease liabilities	19	–	19	18	–	18
Interest paid	22	–	22	29	–	29
Interest received	(11)	–	(11)	(22)	–	(22)
Tax paid	63	–	63	43	–	43
Operating cash-flow	**218**	**(14)**	**204**	**151**	**(37)**	**114**

Headline cash conversion

Headline operating cash conversion for continuing operations is calculated as follows:

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Headline operating profit	246	241
Headline operating cash-flow	218	151
Headline operating cash conversion	**89%**	**63%**

Reconciliation of free cash-flow to total movement in cash and cash equivalents

	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Free cash-flow	112	46
Investment in financial assets and acquisition of businesses	(65)	(22)
Disposal of businesses and discontinued operations	–	(7)
Other net cash-flows used in financing activities (note: repayment of lease liability is included in free cash-flow)	(146)	(275)
Decrease in cash and cash equivalents	**(99)**	**(258)**

17 Related party transactions

The related party transactions in the period were consistent with the nature and size of transactions disclosed in the Annual Report for the year ended 31 July 2023.

18 Share capital and share premium

	Number of shares	Share capital and share premium £m	Consideration £m
Ordinary shares of 37.5p each			
At 31 July 2022	362,356,159	501	
Share buybacks	(9,295,685)	(3)	(144)
At 31 January 2023	**353,060,474**	**498**	
At 31 July 2023	349,302,990	496	
Share buybacks	(1,764,660)	(1)	(29)
At 31 January 2024	**347,538,330**	**495**	

Share buybacks

On 29 September 2023, the Group completed its share buyback programme announced in FY21 to return approximately $1bn (or c.£742m) to shareholders. All shares purchased under the programme have been cancelled.

In total the Group has purchased 48,970,726 shares for a total consideration of £742m. The average price paid per share for buybacks during the programme was £15.15p.

19 Alternative performance measures

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

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

APM term	Definition and purpose
Capital employed	Capital employed is a non-statutory measure of invested resources. It comprises statutory net assets and is adjusted as follows: • to add goodwill recognised directly in reserves in respect of subsidiaries acquired before 1 August 1998; • to eliminate the Group's investment in ICU Medical, Inc equity and deferred consideration contingent on the future share price performance of ICU Medical, Inc; and • to eliminate post-retirement benefit assets and liabilities and non-headline litigation provisions related to John Crane, Inc. and Titeflex Corporation, both net of deferred tax, and net debt. It is used to monitor capital allocation within the Group. See below for a reconciliation from net assets to capital employed.
Capital expenditure	Comprises additions to property, plant and equipment, capitalised development and other intangible assets, excluding assets acquired through business combinations; see notes 7 & 8 for an analysis of capital expenditure. This measure quantifies the level of capital investment into ongoing operations.
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 2.
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 16.
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 11 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. See below for a reconciliation of headline operating profit to headline EBITDA.
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 11 for an analysis of net debt.
Non-headline	The Group has defined a 'headline' measure of performance that excludes material non-recurring items or items considered non-operational/trading in nature. Items excluded from headline are referred to as non-headline items. This is used by the Group to measure and monitor material non-recurring items or items considered non-operational. See note 3 for an analysis of non-headline items.
Operating cash-flow	Comprises free cash-flow and excludes cash-flows relating to the repayment of lease liabilities, interest and taxation. The measure shows how cash is generated from operations in the Group. A reconciliation of operating cash-flow is shown in note 16.
Operating profit	Operating profit is earnings before finance costs and tax. A reconciliation of operating profit to profit before tax is shown on the consolidated income statement. This common measure is used by the Group to measure and monitor performance.
Return on capital employed ('ROCE')	Smiths ROCE is calculated over a rolling 12-month period and is the percentage that headline operating profit represents of the monthly average capital employed on a rolling 12-month basis. This measure of return on invested resources is used to monitor performance and capital allocation within the Group. See below for Group ROCE and note 2 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 4) to dividend per share (see note 14). This commonly used measure indicates the number of times the dividend in a financial year is covered by headline earnings.
Earnings per share ('EPS') growth	EPS growth is the growth in headline basic EPS (see note 5), on a reported basis. EPS growth is used to measure and monitor performance.
Free cash-flow (as a % of operating profit)	This measure is defined as free cash-flow divided by headline operating profit averaged over a three-year performance period. This cash generation measure is used by the Group as a performance measure for remuneration purposes.
Greenhouse Gas (GHG) Emissions Reduction	GHG reduction is calculated as the percentage change in normalised Scope 1 & 2 GHG emissions. Normalised is calculated as tCO_2e per £m of revenue. This measure is used to monitor environmental performance.
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 cash-flow from operations before non-headline items, 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 16.
Operating profit margin	Headline 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 (31 January 2023: £478m), and to eliminate post-retirement benefit assets and liabilities, litigation provisions relating to John Crane, Inc. and Titeflex Corporation, both net of related tax, the investment in ICU Medical, Inc. equity, the deferred consideration contingent on ICU Medical, Inc's share price and net debt.

	Notes	31 January 2024 £m	31 January 2023 £m
Net assets		**2,126**	**2,497**
Adjust for:			
Goodwill recognised directly in reserves		478	478
Retirement benefit assets and obligations	6	13	(75)
Tax related to retirement benefit assets and obligations		19	40
John Crane, Inc. litigation provisions and related tax		167	161
Titeflex Corporation litigation provisions and related tax		26	39
Investment in ICU Medical, Inc equity		(180)	(392)
Deferred contingent consideration		(3)	(24)
Net debt		505	429
Capital employed		**3,151**	**3,153**

Return on capital employed

	Notes	31 January 2024 £m	31 January 2023 £m
Headline operating profit for previous 12 months		506	469
Average capital employed		3,218	3,083
Return on capital employed ("ROCE")		**15.7%**	**15.2%**

Credit metrics

The Group monitors the ratio of net debt to headline earnings before interest, tax, depreciation and amortisation as part of its management of credit ratings. This ratio is calculated as follows:

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

	Notes	Six months ended 31 January 2024 £m	Six months ended 31 January 2023 £m
Headline operating profit	2	**246**	**241**
Exclude:			
– depreciation of property, plant and equipment	8	22	21
– depreciation of right of use assets	9	17	17
– amortisation of development costs	7	1	1
– amortisation of software, patents and intellectual property	7	3	4
Headline EBITDA		**289**	**284**

Annualised headline EBITDA

	Notes	Year ended 31 January 2024 £m	Year ended 31 January 2023 £m
Headline EBITDA for the period		**289**	**284**
Add: Headline EBITDA for the previous year		584	495
Exclude: Headline EBITDA for the first six months of the previous year		(284)	(228)
Annualised headline EBITDA		**589**	**551**

Ratio of net debt to annualised headline EBITDA

	Year ended 31 January 2024 £m	Year ended 31 January 2023 £m
Annualised headline EBITDA	589	551
Net debt	505	429
Ratio of net debt to headline EBITDA	**0.9**	**0.8**