IMI plc
Press release

28 July 2023

Strong organic growth, margin improvement and cash delivery

Purpose-led strategy continuing to deliver growth

Full year guidance reconfirmed

Interim results, six months ended 30 June 2023

	Adjusted[1]				Statutory		
	H1 2023	H1 2022	Change	**Organic[3]**	**H1 2023**	H1 2022	Change
Revenue	**£1,084m**	£972m	+12%	**+7%**	**£1,084m**	£972m	+12%
Operating profit	**£193m**	£160m	+21%	**+13%**	**£149m**	£129m	+15%
Operating margin	**17.8%**	16.4%	+140bps		**13.7%**	13.3%	+40bps
Profit before tax	**£180m**	£154m	+17%		**£139m**	£121m	+15%
Basic EPS	**54.0p**	47.1p	+15%		**42.2p**	36.6p	+15%
Operating cash flow[2]	**£145m**	£79m	+84%		**£174m**	£111m	+57%
Interim dividend per share	**9.1p**	8.3p	+10%		**9.1p**	8.3p	+10%
Net debt : EBITDA	**1.6x**	1.8x					

1 Excluding the effect of adjusting items as reported in the income statement. See Note 2 for definitions of alternative performance measures.
2 Adjusted operating cash flow, as described in Note 2 to the financial statements. Statutory measure is Cash generated from operations as shown on the cash flow statement.
3 After adjusting for acquisitions, disposals and exchange rates (see Note 3).

Continued strong performance

- 12% sales growth, 17% adjusted profit before tax growth, 15% basic EPS growth
- Adjusted operating margin 140bps higher than H1 2022
- Statutory operating profit up 15%
- Statutory profit after tax up 16%
- Operating cash flow significantly higher
- Interim dividend increased by 10%
- Business structure aligning to key sectors

Roy Twite, Chief Executive, said:

"During the first half, we have made excellent progress with our purpose-led strategy, Breakthrough Engineering for a Better World. We are creating value for all our stakeholders by increasing customer intimacy, driving market-led innovation and reducing complexity. We continue to help our customers become safer, more sustainable and more productive. Our new business structure from July 2023 further aligns us to our key sectors and positions IMI to accelerate growth. In light of the success of our Better World strategy we have expanded our financial framework with through-cycle targets of 5% organic growth, a 20% adjusted operating margin and 90% cash conversion. In addition, as we grow the business through M&A, we expect return on invested capital to remain above 12%."

"Based on the strong first half result and current market conditions we expect 2023 full year adjusted EPS to be between 112p and 117p."

Enquiries

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A live webcast of the analyst meeting taking place today at 08:00am (BST) will be available on the investor page of the Group's website: www.imiplc.com. The Group plans to release its next Interim Management Statement on 9 November 2023.

Breakthrough Engineering

Strategic progress

Positioning IMI for accelerated growth

Today we announce the next steps of our purpose-led strategy, Breakthrough Engineering for a Better World. IMI is always evolving. The sectors in which we operate have increased and expanded and the way we help solve customer problems has strengthened. We are making changes to our structure to enhance further our customer focus.

To build on our growth opportunities, we are organising IMI into an Automation business and a Life Technology business. The aim is to accelerate Better World growth by getting us even closer to our customers through sector focused teams.

Effective immediately, Jackie Hu will lead the Automation business, which will leverage deep automation technology and applications expertise to improve productivity, safety and sustainability in the Process Automation and Industrial Automation sectors. This platform includes IMI Critical Engineering and IMI Precision Engineering's Industrial Automation business.

Beth Ferreira will lead the Life Technology business, which will focus on technologies that enhance and improve everyday life, particularly in the areas of health, sustainability and comfort across the Climate Control, Transport, Life Science and Fluid Control sectors. This platform includes IMI Hydronic Engineering and IMI Precision Engineering's Fluid OEM and Transportation businesses.

Business Unit	Sectors	Previous Name
Automation	**Process Automation** **Industrial Automation**	**IMI Critical Engineering** **IMI Precision Industrial Automation**
Life Technology	**Climate Control** **Life Science & Fluid Control** **Transport**	**IMI Hydronic Engineering** **IMI Precision Fluid OEM** **IMI Precision Transportation**

From July 2023, reporting is being aligned across the two businesses and five sectors and will be used in our 2023 preliminary results announcement in early 2024.

Our financial framework

Given the success of the Better World strategy launched in November 2019, we are expanding the financial framework for the Group. We continue to build towards our 20% through-cycle adjusted operating margin target. Today we add through-cycle targets of 5% organic growth and 90% cash conversion. In addition, as we grow the business through M&A, we expect return on invested capital to remain above 12%.

Financial Metric	Through-cycle targets	2022 full year
Organic revenue growth	**5%**	**4%**
Adjusted operating margin	**20%**	**17.8%**
Cash conversion	**90%**	**80%**
Return on invested capital	**>12%**	**12.7%**

Sustainability: creating a Better World

Our purpose, Breakthrough Engineering for a Better World, continues to drive our actions and create real energy across our organisation. IMI's solutions support the safety, sustainability, and productivity of our customers' products and operations, and often directly contribute to the delivery of their carbon reduction targets. When considering investments, we ensure that the impact on IMI's ESG objectives is a prime consideration.

IMI sees a natural link between pursuing our ESG objectives with vigour and our wider ambitions for improved growth and profitability. Many of our best growth opportunities are supporting customers in developing solutions for a zero-carbon future. In particular, we are supporting development in many aspects of the Hydrogen value chain, including electrolysis, liquid storage, refuelling and heavy-duty trucks. Our hydrogen related orders in 2023 are expected to double from £7m in 2022.

We have also agreed our first Sustainability linked revolving credit facility for £50m in June 2023 and will use this as a template to convert our remaining lending facilities as they come up for renewal.

We have submitted our commitment letter to the Science Based Target Initiative and plan to submit our targets later this year for approval. We continue to reduce our CO_2 emissions for Scope 1, Scope 2 and Scope 3, making meaningful progress toward our Net Zero targets. We continue to improve our metrics regarding water withdrawal and non-recyclable hazardous waste.

Our Inclusion and Diversity activities are helping to build a more dynamic and innovative organisation. The female representation on the Board is currently 44% and the Executive Committee is 43%. Our employee engagement remains high, with 77% of all employees seeing IMI as a great place to work (2022: 80%).

Ensuring all our employees feel safe at work is central to our strategy and culture. Total recordable incidents in the first half were 17 (2022: 15), we have a continued focus on identifying and reducing workplace hazards, and remain committed to the ambition of an accident-free workplace.

The Group's commitment to a Better World is evident in our many external ESG credentials, including a MSCI AA rating, and our membership of the FTSE4Good Index. We are also proud to have been awarded the LSE's Green Economy Mark, as our products and services contribute to a number of environmental objectives such as climate change mitigation, waste and pollution reduction, and the circular economy.

More information about our ESG credentials and initiatives, including our policies and practices, can be found on our website: www.imiplc.com.

Results overview

Strong organic growth, margin improvement and cash delivery

IMI has delivered a strong first half performance, with Group revenue growth of 12% compared to the same period last year and 7% higher organically. First half adjusted operating margin has increased by 140bps when compared to the prior period.

£m	Adjusted[1]				Statutory		
	H1 2023	H1 2022	Change	**Organic[2]**	**H1 2023**	H1 2022	Change
Revenue	**1,084**	972	+12%	**+7%**	**1,084**	972	+12%
Operating profit	**192.8**	159.8	+21%	**+13%**	**148.9**	129.0	+15%
Operating margin	**17.8%**	16.4%	+140bps		**13.7%**	13.3%	+40bps

1 Excluding the effect of adjusting items as reported in the income statement. See Note 2 for definitions of alternative performance measures.
2 After adjusting for exchange rates, acquisitions and disposals (see Note 3).

This strong performance reflects continued focus on our unifying purpose-led strategy, **Breakthrough Engineering for a Better World**. We are creating value by increasing customer intimacy, driving market-led innovation and reducing complexity. These actions have allowed us to generate strong growth in the order book and revenue as well as improving margins.

Sector performance

Sector (£m)	H1 2023	H1 2022	Change	Organic[1]
Process Automation	**366**	312	17%	15%
Industrial Automation	**243**	226	8%	2%
Climate Control	**201**	175	15%	5%
Life Science & Fluid Control	**152**	150	1%	-3%
Transport	**122**	109	12%	6%
Total revenue	**1,084**	**972**	**12%**	**7%**

1 After adjusting for exchange rates, acquisitions and disposals (see Note 3).

Process Automation Sector (£m)	H1 2023	H1 2022	Change	Organic[1]
Closing order book	**774**	587	+32%	
Aftermarket order intake	**296**	228	+30%	**+26%**
New Construction order intake	**213**	153	+39%	**+36%**
Total order intake	**509**	381	+34%	**+30%**

1 After adjusting for exchange rates, acquisitions and disposals (see Note 3).

Process Automation (IMI Critical Engineering) had an excellent first half, with strong order intake and continued organic growth. Orders were up 30% organically, with a 26% increase in Aftermarket. We have seen particular strength in LNG, Marine and downstream Oil & Gas, with new products continuing to make a major contribution to growth.

Industrial Automation (IMI Precision Industrial Automation) delivered a good performance despite uncertain markets. We see continued demand for solutions that automate processes in a competitive labour market.

Climate Control (IMI Hydronic Engineering) saw strong demand for our energy saving products. The integration of Heatmiser, acquired in December 2022, is progressing well and we see a significant opportunity to scale Heatmiser's unique product portfolio across our core European markets.

Life Science & Fluid Control (IMI Precision Fluid OEM) saw modest levels of customer destocking in the first half, although underlying demand for our innovative product portfolio remains solid.

Transport (IMI Precision Transportation) saw growth across all regions in the first half as supply chains began to normalise. We have benefited from a particularly strong recovery in China following the easing of COVID-19 restrictions.

Dividend

The Board is recommending a 2023 interim dividend of 9.1p per share (2022: 8.3p per share). Payment will be made on 15 September 2023 to shareholders on the register at the close of business on 11 August 2023.

Outlook

Based on the strong first half results and current market conditions our guidance for 2023 full year adjusted EPS is unchanged at 112p to 117p.

This reflects c.3% business outperformance since our last update, offset by foreign exchange, which is now expected to lead to a full year headwind of 1%. Divisional guidance remains unchanged.

Divisional results overview

The following review relates to our continuing businesses' performance for the six months ended 30 June 2023 when compared to the same period in 2022. References to organic growth are on a constant currency basis and exclude disposals and acquisitions, see Note 3 for a reconciliation of these measures.

£m	Adjusted[1]				Statutory		
	H1 2023	H1 2022	Change	**Organic[2]**	**H1 2023**	H1 2022	Change
Revenue							
IMI Precision Engineering	**517**	485	+7%	**+2%**	**517**	485	+7%
IMI Critical Engineering	**366**	312	+17%	**+15%**	**366**	312	+17%
IMI Hydronic Engineering	**201**	175	+15%	**+5%**	**201**	175	+15%
Total	**1,084**	972	**+12%**	**+7%**	**1,084**	972	**+12%**
Operating profit							
IMI Precision Engineering	**101.4**	88.2	+15%	**+10%**	**69.5**	66.8	+4%
IMI Critical Engineering	**60.5**	48.8	+24%	**+21%**	**52.5**	43.5	+21%
IMI Hydronic Engineering	**43.9**	35.5	+24%	**+4%**	**39.9**	35.9	+11%
Corporate costs	**(13.0)**	(12.7)			**(13.0)**	(17.2)	
Total	**192.8**	159.8	**+21%**	**+13%**	**148.9**	129.0	**+15%**
Operating margin	**17.8%**	16.4%	+140bps		**13.7%**	13.3%	+40bps

1 Excluding the effect of adjusting items as reported in the income statement. See Note 2 for definitions of alternative performance measures.
2 After adjusting for exchange rates, acquisitions and disposals (see Note 3).

IMI Precision Engineering

IMI Precision Engineering performed well in the first half. Organic revenue grew by 2%, with growth in Industrial Automation and Transportation more than offsetting lower revenue due to customer destocking in

Life Sciences. Adjusted revenue grew by 7%, with recent acquisitions making a positive contribution to divisional performance.

Adjusted operating margin in the division improved in the period by 140bps to 19.6%. The division continues to advance complexity reduction initiatives which will support further margin expansion.

Statutory operating profit increased by 4%, as increased restructuring spend partly offset the strong trading result.

IMI Critical Engineering

IMI Critical Engineering continues to advance its strategy and is actively deploying Growth Hub where its expertise can support sustainable future growth. Organic revenue was 15% higher than the prior period, and 17% higher on an adjusted basis.

Organic adjusted operating profit was 21% higher than the first half of 2022, another strong result reflecting the division’s strategy to maximise aftermarket opportunities and optimise its operating footprint for the future. Adjusted operating margin for the first half was 16.5%, 90bps higher than the prior period.

Statutory operating profit increased by 21%, reflecting the excellent first half performance.

IMI Hydronic Engineering

With its strong brands and product positioning, combined with the global imperative to reduce energy consumption in buildings, IMI Hydronic Engineering is positioned to deliver sustainable, profitable growth.

Organic revenue was 5% higher than the prior period and 15% higher on an adjusted basis. The integration of Heatmiser, acquired in December 2022, is progressing well as we look to accelerate our growth in smart buildings.

Adjusted operating profit increased by 4% on an organic basis and 24% on an adjusted basis. The adjusted operating margin improved by 150bps in the period to 21.8%, reflecting the quality of the business.

Statutory operating profit increased by 11%, with the strong trading result partly offset by higher acquired intangible amortisation following the Heatmiser acquisition.

Financial review

Strong first half performance

Revenue of £1,084m was up 12% (2022: £972m). Organic revenue increased 7% when compared with the same period in the previous year, after adjusting for acquisitions, disposals and exchange rate movements. Adjusted operating profit was £193m, a 21% increase on the prior period (2022: £160m). On an organic basis, adjusted operating profit increased by 13%. Group adjusted operating margin increased by 140bps to 17.8% (2022: 16.4%). Statutory operating profit was up 15% at £149m (2022: £129m).

Adjusted net interest costs on borrowings were £12.0m (2022: £6.6m) and were covered 20 times by adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of £239m (2022: £202m). The IAS19 pension net financial expense was £0.7m (2022: £0.8m income). The total adjusted net financial expense was £12.7m (2022: £5.8m), reflective of the increase in both borrowing and interest rates since last year. Profit before tax and adjusting items was £180m, an increase of 17% (2022: £154m).

The adjusted Group effective tax rate on profit for the first half increased to 22.3% (2022: 21.0%), reflecting the increase in the UK statutory rate of corporation tax from 19% to 25% with effect from 1 April 2023.

Statutory profit before tax was £139m (2022: £121m). The total statutory profit for the period after taxation was £109m (2022: £95m).

Adjusting items

Restructuring costs of £24m were incurred in the first half (2022: £8m). A detailed breakdown of these costs by division, alongside expected benefits is provided below. Further details on 2022 projects are included in Note 2.

The impact of amortisation of acquired intangibles and other acquisition costs was £18m (2022: £15m), largely reflecting the acquisitions of Bahr and Heatmiser, which completed during 2022. The reversal of net economic hedge contract gains and losses resulted in a £1m charge (2022: £1m charge).

The tax effect of the above adjusting items was a credit of £11m (2022: £6m).

Complexity reduction continues to deliver benefits

Along with investments into our future growth, IMI continues to identify and execute on opportunities to drive more efficient operations. The following table provides a summary of progress on our restructuring programmes:

£m	H1 2023	2023*	2024*	2025*
Restructuring charge (including impairment losses)				
IMI Precision Engineering	(19)	(37)	(2)	-
IMI Critical Engineering	(5)	(6)	(37)	(5)
IMI Hydronic Engineering	-	-	-	-
Total charge	**(24)**	**(43)**	**(39)**	**(5)**
Cash impact	(23)	(35)	(32)	(5)
£m	**H1 2023**	**2023***	**2024***	**2025***
Incremental annual benefits				
IMI Precision Engineering	7	16	7	3
IMI Critical Engineering	1	3	6	6
IMI Hydronic Engineering	-	1	-	-
Total benefits	**8**	**20**	**13**	**9**

*Future looking forecast information.

All three divisions advanced their significant multi-year restructuring programmes in the first half, recognising a total charge of £24m.

The restructuring programme contributed £8m of benefits in the first half, and is on track to deliver £20m for the full year.

We continue to expect that significant projects will largely complete by 2024, although the Group will always seek and execute on opportunities that improve its competitive position.

Earnings per share

The average number of shares in issue during the period was 259m (2022: 258m), resulting in adjusted basic earnings per share of 54.0p (2022: 47.1p). Statutory basic earnings per share was 42.2p (2022: 36.6p) and statutory diluted earnings per share was 42.1p (2022: 36.5p).

Foreign exchange

The impacts of translation on the reported growth of first half revenue and adjusted operating profit was a favourable increase of £35m and increase of £7m, respectively. The most significant foreign currencies for the Group remain the Euro and the US Dollar and the relevant rates of exchange for the period and at the period end are shown in Note 13 to this report.

If the exchange rates on 14 July (US$1.31 and €1.17) remained constant for the remainder of the year, it would negatively impact both revenue and adjusted operating profit by 1% in the year when compared to 2022.

Cash flow

Cash generated from operations increased to £174m (2022: £111m). Adjusted operating cash flow (see definition in Note 2) increased to £145m (2022: £79m), largely reflecting the strong trading result and reduced working capital investments. Trade and other receivables increased by £42m, inventories increased by £52m and trade and other payables increased by £47m. Capital expenditure amounted to £36m (2022: £40m) and was 1.2 times (2022: 1.4 times) the adjusted depreciation and amortisation charge for the period of £31m (2022: £28m), which excludes depreciation from the IFRS 16 right of use assets of £15m (2022: £14m).

The other major cash outflows in the period were dividends to shareholders of £45m, a £24m outflow for adjusting items primarily related to the Group's restructuring programme, and £43m of tax. The total cash inflow for the period, excluding the impact of foreign exchange and movement of lease liabilities, was £28m, compared with an outflow of £122m in the first half of the previous year.

Definitions of adjusted performance measures are included in Note 2 and a reconciliation of adjusted measures to statutory measures is included in Note 11.

Balance sheet

The Group maintains an appropriate mixture of cash and short, medium and long-term debt arrangements which provide sufficient headroom for both ongoing activities and acquisitions. Total committed bank loan facilities available to the Group at 30 June 2023 were £300m (December 2022: £300m), of which £106m (December 2022: £100m) was drawn.

The ratio of net debt to the last twelve months' EBITDA (before adjusting items) is a funding covenant that is currently limited to 3.0x and was 1.6x at the end of June 2023 (December 2022: 1.8x).

Trade and other receivables have increased by £24m (5%) to £508m at 30 June 2023 (December 2022: £484m). Inventories have increased by £33m (8%) to £451m at 30 June 2023 (December 2022: £418m), with investments to support the order book growth in Process Automation offsetting the strategic reduction of inventory in other sectors. Trade and other payables have increased by £24m (5%) to £463m at 30 June 2023 (December 2022: £439m).

Goodwill decreased to £681m (December 2022 restated: £704m) due to movements in exchange rates.

The net deficit for defined benefit obligations at 30 June 2023 was £40m (December 2022: £19m deficit). The UK surplus was £6m (December 2022: £28m surplus) with the liabilities now fully bought-in and no future funding requirements expected. The deficit in the overseas funds as at 30 June 2023 was £46m (31 December 2022: £47m deficit).

Shareholders' equity at the end of June was £920m, an increase of £14m since the end of last year. This is largely attributable to the profit for the period of £109m and the after-tax impact of share-based payments of £5m.These gains were offset by an after-tax actuarial charge on the defined benefit pension plans of £17m, unfavourable exchange differences and related tax of £38m and dividends paid of £45m.

Breakthrough Engineering

Other regulatory information

Going concern

After making enquiries, the directors have a reasonable expectation that IMI plc ('the Company') and the Group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months following the approval of the Interim Financial Report. Accordingly, they continue to adopt the going concern basis. See Note 1 for further information on the directors' considerations in reaching this conclusion.

The directors have considered the current macroeconomic conditions on the Group's financial results and financial position. The directors have assessed the viability of the Group and reviewed detailed cash flow forecast scenarios, including comparing a reverse stress test to those detailed forecasts. The directors have a reasonable expectation that the financial headroom will not be exhausted during the twelve months following the date of approval of the Interim Financial Report.

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 risk. IMI faces a number of risks and uncertainties which could have a material impact on the Group's long-term performance.

On pages 88 to 93 of its 2022 Annual Report (a copy of which is available on IMI's website: www.imiplc.com), the Company sets out what the directors regarded as being the principal risks and uncertainties facing the Group and which could have a material impact on the Group's long-term performance. These risks include global economic uncertainty and political instability, competitive markets, failure to manage the supply chain, talent retention and attraction, cyber security risks, new product development, natural disasters, major transformational project delivery risk, regulatory breach, product quality issues and acquisition risk. Having considered the current environment, the directors have considered that these risks remain valid and have the potential to impact the Group during the second half of 2023. The directors have identified artificial intelligence as an additional principal risk during the first half given the fast-developing technology in this area. The impact of the macro-economic and end-market environments in which the Group's businesses operate have been considered in making the comments in the divisional review and outlook sections of this Interim Financial Report.

Safe harbour statement

This Interim Financial Report contains forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. All written or oral forward-looking statements attributable to IMI plc are qualified by this caution. Nothing in this Interim Financial Report should be construed as a profit forecast.

Responsibility statement of the directors in respect of the Interim Financial Report

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements has been prepared in accordance with IAS 34 *'Interim Financial Reporting'* as adopted by the UK
- the Interim Financial Report includes a fair review of the information required by DTR 4.2.7R of the *Disclosure 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

- there were no changes in the related party transactions described in the 2022 Annual Report that materially affected the Group's results or financial position during the six months ended 30 June 2023.

The directors of IMI plc are listed on the IMI plc website (www.imiplc.com).

Approved by the Board of IMI plc and signed on its behalf by:

Roy Twite Chief Executive 27 July 2023	Daniel Shook Finance Director 27 July 2023

Notes to editors

IMI plc is a specialist engineering company operating in fluid and motion control markets. We combine our deep engineering knowledge with strong applications expertise to develop solutions for the most acute industry problems. We help our customers become safer, more sustainable and more productive. IMI employs around 10,000 people, has manufacturing facilities in 19 countries and operates a global service network. The Company is listed on the London Stock Exchange and is a constituent of the FTSE4Good Index. Further information is available at www.imiplc.com.

IMI plc is registered in England No. 714275. Its legal entity identifier ('LEI') number is 2138002W9Q21PF.

INDEPENDENT REVIEW REPORT TO IMI PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cash flows and related Notes 1 to 15.

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 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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.

As disclosed in Note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion 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 to suggest 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 are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK) 2410. However future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. 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 paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP
Statutory Auditor
London
27 July 2023

CONSOLIDATED INTERIM INCOME STATEMENT

	Note	6 months to 30 June 2023 (unaudited)			6 months to 30 June 2022 (unaudited)			Year to 31 Dec 2022		
		Adjusted £m	**Adjusting items (Note 2) £m**	**Statutory £m**	Adjusted £m	Adjusting items (Note 2) £m	Statutory £m	Adjusted £m	Adjusting items (Note 2) £m	Statutory £m
Revenue	3	1,084		**1,084**	972		972	2,049		2,049
Cost of sales		(573.6)	(1.6)	**(575.2)**	(523.4)	(1.4)	(524.8)	(1,110.9)	(1.2)	(1,112.1)
Gross profit		510.4	(1.6)	**508.8**	448.6	(1.4)	447.2	938.1	(1.2)	936.9
Net operating costs		(317.6)	(42.3)	**(359.9)**	(288.8)	(29.4)	(318.2)	(574.3)	(64.4)	(638.7)
Operating profit	3	192.8	(43.9)	**148.9**	159.8	(30.8)	129.0	363.8	(65.6)	298.2
Financial income	5	3.7		**3.7**	2.5		2.5	4.6		4.6
Financial expense	5	(15.7)		**(15.7)**	(9.1)		(9.1)	(23.8)		(23.8)
Gains/(losses) on instruments measured at fair value through profit or loss			2.3	**2.3**		(2.3)	(2.3)		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes		(0.7)		**(0.7)**	0.8		0.8	1.5		1.5
Net financial (expense)/income	5	(12.7)	2.3	**(10.4)**	(5.8)	(2.3)	(8.1)	(17.7)	4.9	(12.8)
Profit before tax		180.1	(41.6)	**138.5**	154.0	(33.1)	120.9	346.1	(60.7)	285.4
Taxation	6	(40.2)	11.0	**(29.2)**	(32.3)	6.0	(26.3)	(73.7)	14.6	(59.1)
Profit after tax		139.9	(30.6)	**109.3**	121.7	(27.1)	94.6	272.4	(46.1)	226.3

	Note									
Earnings per share	4									
Basic – from profit for the period				**42.2p**			36.6p			87.6p
Diluted – from profit for the period				**42.1p**			36.5p			87.2p

All activities relate to continuing operations and are all attributable to the owners of the Company.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2023 (unaudited)		6 months to 30 June 2022 (unaudited)		Year to 31 Dec 2022	
	£m	**£m**	£m	£m	£m	£m
Profit for the period		**109.3**		94.6		226.3
Items that will not subsequently be reclassified to profit and loss						
Re-measurement (loss)/gain on defined benefit plans	**(22.6)**		14.6		(82.7)	
Related taxation effect	**5.7**		(3.9)		20.4	
		(16.9)		10.7		(62.3)
Items that may be reclassified to profit and loss						
Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation	**6.7**		(2.7)		(7.5)	
(Loss)/gain on exchange differences on translation of foreign operations net of funding revaluations	**(46.2)**		38.6		40.9	
Gain on exchange differences reclassified to income statement on disposal of operations	**-**		0.5		0.6	
Related tax credit/(charge) on items that may subsequently be reclassified to profit and loss	**1.1**		(0.8)		(0.3)	
		(38.4)		35.6		33.7
Other comprehensive (loss)/income for the period, net of taxation		**(55.3)**		46.3		(28.6)
Total comprehensive income for the period, net of taxation		**54.0**		140.9		197.7

CONSOLIDATED INTERIM BALANCE SHEET

	Note	**30 June 2023 (unaudited) £m**	30 June 2022 (unaudited) £m	31 Dec 2022 (Restated Note 14) £m
Assets				
Goodwill		**680.5**	646.2	703.7
Other intangible assets		**290.0**	239.1	316.7
Property, plant and equipment		**292.9**	295.9	299.2
Right of use assets		**102.3**	88.5	107.0
Employee benefit assets	9	**6.4**	123.2	28.5
Deferred tax assets		**23.5**	38.1	24.2
Other receivables		**2.0**	1.5	2.6
Total non-current assets		**1,397.6**	1,432.5	1,481.9
Inventories		**451.3**	397.9	417.7
Trade and other receivables		**507.7**	464.8	483.9
Derivative financial assets		**16.5**	8.0	15.7
Current tax		**1.7**	5.6	1.9
Investments		**1.7**	2.0	2.0
Cash and cash equivalents		**112.3**	133.2	133.0
Total current assets		**1,091.2**	1,011.5	1,054.2
Total assets		**2,488.8**	2,444.0	2,536.1
Liabilities				
Trade and other payables		**(463.2)**	(429.3)	(439.1)
Bank overdraft		**(79.1)**	(83.0)	(93.8)
Interest-bearing loans and borrowings		**(153.2)**	(110.6)	(150.1)
Lease liabilities		**(25.3)**	(24.1)	(25.8)
Provisions		**(26.0)**	(35.0)	(27.2)
Current tax		**(59.7)**	(65.4)	(70.4)
Derivative financial liabilities		**(10.1)**	(13.5)	(13.8)
Total current liabilities		**(816.6)**	(760.9)	(820.2)
Interest-bearing loans and borrowings		**(551.8)**	(608.6)	(595.4)
Lease liabilities		**(74.8)**	(67.2)	(79.9)
Employee benefit obligations	9	**(46.0)**	(41.7)	(47.4)
Provisions		**(16.5)**	(16.9)	(15.3)
Deferred tax liabilities		**(47.0)**	(78.6)	(59.2)
Other payables		**(16.3)**	(7.1)	(13.1)
Total non-current liabilities		**(752.4)**	(820.1)	(810.3)
Total liabilities		**(1,569.0)**	(1,581.0)	(1,630.5)
Net assets		**919.8**	863.0	905.6
Share capital	12	**78.6**	78.6	78.6
Share premium		**16.5**	15.3	16.4
Other reserves		**183.0**	223.3	221.4
Retained earnings		**641.7**	545.8	589.2
Total equity		**919.8**	863.0	905.6

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2022		78.6	15.2	177.6	10.1	497.6	779.1
Profit for the period						94.6	94.6
Other comprehensive income excluding related taxation effect					36.4	14.6	51.0
Related taxation effect					(0.8)	(3.9)	(4.7)
Total comprehensive income					35.6	105.3	140.9
Issue of share capital		-	0.1				0.1
Dividends paid	7					(40.8)	(40.8)
Share-based payments (net of tax)						3.7	3.7
Shares acquired for: employee share scheme trust						(20.0)	(20.0)
As at 30 June 2022 (unaudited)		78.6	15.3	177.6	45.7	545.8	863.0
As at 1 January 2022		78.6	15.2	177.6	10.1	497.6	779.1
Profit for the year						226.3	226.3
Other comprehensive income/(expense) excluding related taxation effect					34.0	(82.7)	(48.7)
Related taxation effect					(0.3)	20.4	20.1
Total comprehensive income					33.7	164.0	197.7
Issue of share capital		-	1.2				1.2
Dividends paid	7					(62.2)	(62.2)
Share-based payments (net of tax)						9.8	9.8
Shares acquired for: employee share scheme trust						(20.0)	(20.0)
As at 31 December 2022		78.6	16.4	177.6	43.8	589.2	905.6
Changes in equity in 2023							
Profit for the period						**109.3**	**109.3**
Other comprehensive loss excluding related taxation effect					**(39.5)**	**(22.6)**	**(62.1)**
Related taxation effect					**1.1**	**5.7**	**6.8**
Total comprehensive (loss)/income					**(38.4)**	**92.4**	**54.0**
Issue of share capital		-	**0.1**				**0.1**
Dividends paid	7					**(45.1)**	**(45.1)**
Share-based payments (net of tax)						**5.2**	**5.2**
Shares acquired for: employee share scheme trust							**-**
As at 30 June 2023 (unaudited)		**78.6**	**16.5**	**177.6**	**5.4**	**641.7**	**919.8**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	**6 months to 30 June 2023 (unaudited)**	6 months to 30 June 2022 (unaudited)	Year to 31 Dec 2022
		£m	£m	£m
Cash flows from operating activities				
Operating profit for the period		**148.9**	129.0	298.2
Adjustments for:				
Depreciation and amortisation		**62.0**	55.7	122.2
Impairment/(reversal of impairment) of property plant and equipment and intangible assets		**0.1**	(1.7)	(1.6)
Loss on disposal of subsidiaries		**-**	4.5	4.8
Loss on sale of property, plant, and equipment		**0.4**	0.2	1.7
Equity-settled share-based payment expense		**6.3**	6.0	11.7
Increase in inventories		**(52.1)**	(41.5)	(47.6)
Increase in trade and other receivables		**(42.1)**	(44.9)	(38.8)
Increase in trade and other payables		**46.5**	8.7	1.3
Increase/(decrease) in provisions		**0.6**	(6.0)	(16.0)
Increase in employee benefits		**0.6**	0.9	2.2
Settlement of transactional derivatives		**2.4**	0.3	(2.3)
Cash generated from operations		**173.6**	111.2	335.8
Income taxes paid		**(42.5)**	(20.0)	(48.6)
Cash generated from operations after tax		**131.1**	91.2	287.2
Additional pension scheme funding			(3.5)	(3.5)
Net cash from operating activities		**131.1**	87.7	283.7
Cash flows from investing activities				
Interest received	5	**3.7**	2.5	4.6
Proceeds from sale of property, plant, and equipment		**0.6**	1.3	2.9
Settlement of effective net investment hedge derivatives		**3.8**	(1.6)	(6.3)
Acquisitions of subsidiaries net of cash		**-**	(83.6)	(201.2)
Acquisition of property, plant and equipment and non-acquired intangibles		**(36.0)**	(40.3)	(71.3)
Proceeds from disposal of subsidiaries net of cash			(2.1)	(2.1)
Net cash from investing activities		**(27.9)**	(123.8)	(273.4)
Cash flows from financing activities				
Interest paid	5	**(15.7)**	(9.1)	(23.8)
Shares acquired for employee share scheme trust		**-**	(20.0)	(20.0)
Proceeds from the issue of share capital for employee share schemes		**0.1**	0.1	1.2
Drawdown of borrowings		**60.7**	125.3	259.1
Repayment of borrowings		**(93.5)**	-	(121.3)
Principal elements of lease payments		**(14.6)**	(13.8)	(32.3)
Dividends paid to equity shareholders	7	**(45.1)**	(40.8)	(62.2)
Net cash from financing activities		**(108.1)**	41.7	0.7
Net (decrease)/increase in cash and cash equivalents		**(4.9)**	5.6	11.0
Cash and cash equivalents at the start of the period		**39.2**	29.1	29.1
Effect of exchange rate fluctuations		**(1.1)**	15.5	(0.9)
Cash and cash equivalents at the end of the period		**33.2**	50.2	39.2
Reconciliation of cash and cash equivalents				
Cash and cash equivalents		**112.3**	133.2	133.0
Bank overdraft		**(79.1)**	(83.0)	(93.8)
Cash and cash equivalents at the end of the period		**33.2**	50.2	39.2

Notes to the cash flow appear in Note 11.

1. Significant accounting policies

Basis of preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 '*Interim Financial Reporting'* as adopted by the UK. The Group's annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK.

The Interim Financial Statements are unaudited, but have been reviewed by the Company's auditor in accordance with the International Standard for Review Engagement (UK) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Financial Reporting Council. A copy of their unqualified review report is attached.

The comparative figures for the financial year ended 31 December 2022 are derived from the Group's statutory accounts for that financial year as defined in section 435 of the Companies Act 2006. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Interim Financial Statements have been prepared for the Group as a whole and therefore give greater emphasis to those matters which are significant to IMI plc and its subsidiaries when viewed as a whole. The Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months (31 July 2024) following the approval of the Interim Financial Report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The directors have considered the current macroeconomic conditions. The Group is well diversified and maintains a balanced portfolio operating across a range of markets, sectors and geographies with no single dependency. Performance in each of IMI's three divisions has been robust in the first half.

During this period of uncertainty, the Group continues to maintain a robust financial position. At 30 June 2023, the Group had cash and cash equivalents of £33m and undrawn committed facilities of £194m in the form of Revolving Credit Facilities (RCF), of which £9m is due for renewal in 2023, £65m in 2024, £52m in 2025 and £68m in 2025. Forecasts indicate that the Group can operate within the level of facilities in place without the need to obtain any new facilities in the twelve-month period following the approval of the Interim Financial Report.

The directors have assessed the viability of the Group and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Interim Financial Report. After applying a reverse stress test on the Group's banking covenants and making comparisons to the detailed forecasts, the directors have a reasonable expectation that the financial headroom will not be exhausted during this period.

Covenant compliance reviews are undertaken to ensure that the Group remains fully within the covenant limits. Funding covenants currently require EBITDA to be no less than 4.0 times interest and net debt to be no more than 3.0 times EBITDA. Those covenant ratios, at 30 June 2023, were 20.0 times and 1.6 times, respectively.

A reverse stress test shows that for there to be a breach of covenants during the twelve-month period following the approval of the Interim Financial Report, forecast revenue would need to fall by 35% and forecast EBITDA by 59% after taking into account the mitigating actions that would be undertaken in these circumstances. The mitigating actions include, but are not limited to, reducing working capital, restricting capital expenditure, reducing overhead spend and employee costs and cutting or suspending dividend payments to shareholders.

Accounting policies

The financial statements are presented in Pounds Sterling (which is the Company's functional currency), rounded to the nearest hundred thousand, except revenues, which are rounded to the nearest whole million. They are prepared on the historical cost basis except for derivative financial instruments; financial assets classified as fair value through profit and loss or other comprehensive income assets and liabilities acquired through business combinations which are stated at fair value and retirement benefits. Non-current assets and liabilities held for sale are stated at the lower of their carrying amounts and their fair values less costs to sell.

1. Significant accounting policies (continued)

As required by the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies, key sources of estimation and uncertainty and presentation that were applied in the preparation of the Company's consolidated financial statements for the year ended 31 December 2022 as described in the 2022 Annual Report and Accounts, except where new or revised accounting standards have been applied as described in section (i) below.

(i) New or amended UK Endorsed Accounting Standards adopted by the Group during 2023

There are no amended or new International Financial Reporting Standards which became effective for the Group as of 1 January 2023.

2. Alternative Performance Measures and Adjusting items

Alternative Performance Measures

The Group's policy is to exclude items from underlying performance that are considered to be significant in nature (i.e. outside of the normal course of business) and/or quantum and where treatment as an adjusting item provides stakeholders with additional useful information to assess period-on-period trading performance of the Group.

The Group believes Alternative Performance Measures ('APMs'), which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets and for banking covenants.

The directors' commentary discusses these APMs to remove the effects of items of both income and expense that are considered different in nature from the underlying trading and normal quantum and where treatment as an adjusting item provides stakeholders with additional information to assess period-on-period trading.

Management has applied judgement in the selection of the APMs used in the Interim Financial Report. The APMs presented are used in discussions with the investment analyst community and by the Board and management to monitor the trading performance of the Group.

APM	Definition	Reconciliation to statutory measure
Adjusted profit before tax	Adjusted profit before tax is statutory profit before tax before adjusting items as shown on the income statement.	See income statement.
Adjusted net interest cost	Adjusted net interest cost is statutory net interest costs before adjusting items as shown on the income statement.	See income statement.
Adjusted earnings per share	Adjusted earnings per share is defined within the table in Note 4.	See Note 4.
Adjusted effective tax rate	The adjusted effective tax rate is the tax impact on adjusted profit before tax divided by adjusted profit before tax.	See Note 6.
Adjusted EBITDA	This measure reflects adjusted profit after tax before interest, tax, depreciation, amortisation and impairment.	See Note 11.

2. Alternative Performance Measures and Adjusting items (continued)

APM	Definition	Reconciliation to statutory measure
Adjusted operating profit	Adjusted operating profit is statutory operating profit before adjusting items as shown on the income statement.	See income statement and segmental reporting in Note 3.
Adjusted operating margin	Adjusted operating margin is adjusted operating profit divided by revenue.	
Adjusted net financing costs	Adjusted net financing costs is interest received and interest paid including the impact on interest costs on leases before gains on instruments measured at fair value through profit or loss (other economic hedges) and net financial income relating to defined benefit pension schemes.	
Organic revenue growth Organic adjusted operating profit	These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates.	
Adjusted operating cash flow	This measure reflects cash generated from operations as shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus, cash received from the sale of property, plant and equipment, the sale of investments less the repayment of principal amounts of lease payments excluding the cash impact of adjusting items.	See Note 11.
Net debt	Net debt is defined as the cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities.	See Note 11.
Net debt: adjusted EBITDA	Net debt divided by adjusted EBITDA as defined above.	See Note 11.
Free cash flow before corporate activity	This measure is a subtotal in the reconciliation of adjusted EBITDA to Net Debt and is presented to assist the reader to understand the nature of the current year's cash flows excluding dividends, share buybacks and the purchase and issuance of own shares.	See Note 11.
Return on invested capital (ROIC)	This measure takes adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets and liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangible assets.	
Cash conversion	Cash conversion is the adjusted operating cash flow as a percentage of the adjusted operating profit.	

2. Alternative Performance Measures and Adjusting items (continued)

Adjusting items

Outlined below are the adjusting items impacting these Interim Financial Statements:

	Key	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022
Recognised in arriving at operating profit				
Reversal of net economic hedge contract (gains)/losses	(a)	**(2.8)**	1.5	3.0
Restructuring costs and associated impairment losses	(b)	**(23.5)**	(7.7)	(25.9)
Acquired intangible amortisation and other acquisition items	(c)	**(17.6)**	(15.4)	(33.7)
Exit from Russia	(d)	**-**	(9.2)	(9.0)
		(43.9)	(30.8)	(65.6)
Recognised in net financial expense				
Gains/(losses) on instruments measured at fair value through profit or loss	(a)	**2.3**	(2.3)	4.9
Recognised in taxation				
Tax impact of adjusting items above	(e)	**11.0**	6.0	14.6

(a) **Reversal of net economic hedge contract losses/(gains)** - for segmental reporting purposes, changes in the fair value of economic hedges which are not designated as hedges for accounting purposes, together with the gains and losses on their settlement, are included in the revenues and adjusted operating profit of the relevant business segment. The adjusting items at the operating costs level reverse this treatment. The financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

(b) **Restructuring costs and associated impairment losses** - restructuring costs of £23.5m were incurred in the six months to 30 June 2023. The restructuring costs primarily relate to IMI Precision Engineering and were for the Customer First project, across a number of businesses, which is a reorganisation of the business into market segments, and the rationalisation of four facilities. The benefits of the restructuring programme are included in adjusted operating profit. These ongoing significant restructuring projects are due to be completed in 2024.

Restructuring costs and associated impairment losses of £25.9m were recognised in 2022 (six months to 30 June 2022: £7.7m). These primarily related to IMI Precision Engineering and were for the Customer First project, across a number of businesses and the rationalisation of four facilities.

(c) **Acquired intangible amortisation and other acquisition items** - the acquired intangible amortisation charge in the six months to 30 June 2023 was £16.0m (six months to 30 June 2022: £13.1m, 12 months to 31 December 2022: £29.5m), which largely relates to the amortisation of the intangible assets recognised on the acquisition of Adaptas, Heatmiser and Bahr. Other acquisition costs of £1.6m for the six months to 30 June 2023 related to the write-off of the inventory fair value uplift adjustment for Heatmiser. Other acquisition costs of £4.2m for the year ended 31 December 2022 primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the write-off of the inventory fair value uplift adjustment for Adaptas.

(d) **Exit from Russia** - in 2022, the Group's decision to end all new business in Russia resulted in a charge of £9.0m. The Group recorded a loss on disposal of its Russian subsidiary of £4.8m. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

(e) **Taxation** - the tax effect of the above items has been recognised as an adjusting item and amounts to £11.0m (six months to 30 June 2022: £6.0m; year ended 31 December 2022: £14.6m). The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of April 2023, which was substantively enacted on 24 May 2021.

3. Segmental information

Segmental information is presented in the consolidated Interim Financial Statements for each of the Group's operating segments. The operating segment reporting format reflects the Group's management and internal reporting structures and represents the information that was presented during the period to the chief operating decision-maker, being the Executive Committee. For the purposes of reportable segmental information, operating segments are aggregated into the Group's three divisions, as the nature of the products, production processes and types of customer are similar within each division. Inter-segmental revenue is insignificant. Refer to the 'Strategic progress' section earlier in the report, which outlines the changes we are making to our structure ahead of the year end to enhance further our customer focus.

IMI Precision Engineering specialises in the design and manufacture of motion and fluid control technologies where precision, speed and reliability are essential to the processes in which they are involved.

IMI Critical Engineering is a world-leading provider of flow control solutions that enable vital energy and process industries to operate safely, cleanly, reliably and more efficiently. Our products control the flow of steam, gas and liquids in harsh environments and are designed to withstand temperature and pressure extremes as well as intensely abrasive or corrosive cyclical operations.

IMI Hydronic Engineering is a leading provider of technologies that deliver operational and energy efficient water-based heating and cooling systems for the residential and commercial building sectors.

Performance is measured by the Executive Committee based on adjusted operating profit and organic revenue growth which are defined in Note 2. These two measures represent the two short term key performance indicators for the Group.

Businesses enter into forward currency and metal contracts to provide economic hedges against the impact on profitability of swings in rates and values in accordance with the Group's policy to minimise the risk of volatility in revenues, costs and margins. Adjusted operating profits are therefore charged/credited with the impact of these contracts. In accordance with IFRS 9, these contracts do not meet the requirements for hedge accounting and gains and losses are reversed out of operating profit and are recorded in net financial income and expense for the purposes of the consolidated income statement.

The following table illustrates how the results for the segments reconcile to the overall results reported in the income statement:

	Revenue			**Operating profit**			**Operating margin**		
	6 months to 30 June 2023	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022
	£m	£m	£m	**£m**	£m	£m	**%**	%	%
IMI Precision Engineering	***517***	*485*	*986*	***101.4***	*88.2*	*182.6*	***19.6%***	*18.2%*	*18.5%*
IMI Critical Engineering	***366***	*312*	*713*	***60.5***	*48.8*	*135.5*	***16.5%***	*15.6%*	*19.0%*
IMI Hydronic Engineering	***201***	*175*	*350*	***43.9***	*35.5*	*71.1*	***21.8%***	*20.3%*	*20.3%*
Corporate costs				***(13.0)***	*(12.7)*	*(25.4)*			
Total revenue/adjusted operating profit and margin	**1,084**	972	2,049	**192.8**	159.8	363.8	***17.8%***	16.4%	17.8%
Reversal of net economic hedge (gains)/losses				**(2.8)**	1.5	3.0			
Restructuring costs and associated impairment losses				**(23.5)**	(7.7)	(25.9)			
Acquired intangible amortisation and other acquisition items				**(17.6)**	(15.4)	(33.7)			
Exit from Russia				**-**	(9.2)	(9.0)			
Statutory revenue/operating profit	**1,084**	972	2,049	**148.9**	129.0	298.2			
Net financial expense				**(10.4)**	(8.1)	(12.8)			
Statutory profit before tax				**138.5**	120.9	285.4			

3. Segmental information (continued)

The following table shows a reconciliation of divisional adjusted operating profit to statutory operating profit:

	IMI Precision Engineering			IMI Critical Engineering			IMI Hydronic Engineering			Corporate			Total		
	6 months to 30 June 2023	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022	**6 months to 30 June 2023**	6 months to 30 June 2022	Year to 31 Dec 2022
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Revenue	517	485	986	366	312	713	201	175	350				**1,084**	972	2,049
Adjusted operating profit	101.4	88.2	182.6	60.5	48.8	135.5	43.9	35.5	71.1	(13.0)	(12.7)	(25.4)	**192.8**	159.8	363.8
Reconciliation to statutory operating profit:															
Reversal of net economic hedge contract losses/(gains)	(2.2)	(1.0)	(2.4)	(0.8)	2.0	3.1	0.2	0.5	2.3				**(2.8)**	1.5	3.0
Restructuring costs and associated impairment losses	(18.9)	(7.7)	(24.8)	(4.6)		(0.4)			(0.7)				**(23.5)**	(7.7)	(25.9)
Acquired intangible amortisation and other acquisition items	(10.8)	(12.2)	(25.1)	(2.6)	(3.2)	(6.6)	(4.2)		(2.0)				**(17.6)**	(15.4)	(33.7)
Exit from Russia		(0.5)	(0.2)		(4.1)	(3.9)		(0.1)	(0.1)		(4.5)	(4.8)	-	(9.2)	(9.0)
Statutory operating profit	69.5	66.8	130.1	52.5	43.5	127.7	39.9	35.9	70.6	(13.0)	(17.2)	(30.2)	**148.9**	129.0	298.2
Statutory operating margin (%)	13.4%	13.8%	13.2%	14.3%	13.9%	17.9%	19.9%	20.5%	20.2%				13.7%	13.3%	14.6%

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to the first half of 2022:

	6 months to 30 June 2023					6 months to 30 June 2022			
	As adjusted	**Acquisitions**	**Organic**	**Adjusted growth (%)**	**Organic growth (%)**	As adjusted	Exchange	Disposals	Organic
IMI Precision	**517**	**(6)**	**511**	**7%**	**2%**	485	19	(1)	503
IMI Critical	**366**		**366**	**17%**	**15%**	312	10	(5)	317
IMI Hydronic	**201**	**(13)**	**188**	**15%**	**5%**	175	6	(2)	179
Revenue	**1,084**	**(19)**	**1,065**	**12%**	**7%**	972	35	(8)	999
IMI Precision	**101.4**	**(0.6)**	**100.8**	**15%**	**10%**	88.2	3.6	(0.1)	91.7
IMI Critical	**60.5**		**60.5**	**24%**	**21%**	48.8	1.7	(0.5)	50.0
IMI Hydronic	**43.9**	**(5.0)**	**38.9**	**24%**	**4%**	35.5	1.7	0.1	37.3
Corporate costs	**(13.0)**		**(13.0)**			(12.7)			(12.7)
Adjusted operating profit	**192.8**	**(5.6)**	**187.2**	**21%**	**13%**	159.8	7.0	(0.5)	166.3
Adjusted operating profit margin (%)	**17.8%**		**17.6%**			16.4%			16.6%

3. Segmental information (continued)

Balance sheet

The following table illustrates how the segmental assets and liabilities reconcile to the overall total assets and liabilities reported in the balance sheet:

	Assets			Liabilities		
	30 June 2023	30 June 2022*	31 Dec 2022* (Restated Note 14)	**30 June 2023**	30 June 2022	31 Dec 2022 (Restated Note 14)
	£m	£m	£m	**£m**	£m	£m
IMI Precision Engineering	***1,107.4***	*1,091.6*	*1,139.6*	***195.3***	*216.2*	*202.0*
IMI Critical Engineering	***811.5***	*749.7*	*794.0*	***299.9***	*244.8*	*262.5*
IMI Hydronic Engineering	***402.4***	*278.8*	*389.5*	***100.9***	*88.4*	*102.4*
Total segmental assets/liabilities (including lease liabilities)	**2,321.3**	2,120.1	2,323.1	**596.1**	549.4	566.9
Corporate items	**21.9**	21.8	23.4	**36.1**	43.7	47.3
Employee benefits	**6.4**	123.2	28.5	**46.0**	41.7	47.4
Investments	**1.7**	2.0	2.0	**-**	-	-
Net debt items (excluding lease liabilities)	**112.3**	133.2	133.0	**784.1**	802.2	839.3
Net taxation	**25.2**	43.7	26.1	**106.7**	144.0	129.6
Total assets and liabilities in Group balance sheet	**2,488.8**	2,444.0	2,536.1	**1,569.0**	1,581.0	1,630.5

*Prior year comparatives have been re-presented to correctly reflect the classification of assets. These related to acquired intangibles amounting to £90.4m for the six-month period ended 30 June 2022 and £100.1m for the year ended 31 December 2022, between IMI Precision Engineering and IMI Critical Engineering.

3. Segmental information (continued)

The Group's revenue streams are disaggregated by sector in the table below:

	H1 2023 Revenue £m	**H1 2022 Revenue £m**
IMI Precision Engineering		
Industrial Automation	**243**	226
Life Sciences	73	76
Process Control	79	74
Precision Fluid OEM	**152**	150
Commercial Vehicle	99	91
Rail	23	18
Transportation	**122**	109
Total IMI Precision Engineering	**517**	485
IMI Critical Engineering		
Power	79	71
Refining & Petrochemical	66	50
Oil & Gas	33	21
Nuclear	22	20
Marine	4	8
Other	13	11
Aftermarket	**217**	181
Oil & Gas	46	33
Refining & Petrochemical	36	44
Power	30	24
Marine	20	11
Nuclear	-	1
Other	17	18
New Construction	**149**	131
Total IMI Critical Engineering	**366**	312
IMI Hydronic Engineering		
TA	84	78
Heimeier	62	61
Pneumatex	36	32
Heatmiser	13	-
Other	6	4
Total IMI Hydronic Engineering	**201**	175
Revenue	**1,084**	972

4. Earnings per ordinary share

Basic and diluted earnings per share have been calculated on earnings as set out below. Both of these measures are also presented on an adjusted basis to assist the reader of the Interim Financial Statements and provide insight into the performance of the Group.

	Key	**30 June 2023 million**	30 June 2022 million	31 Dec 2022 million
Weighted average number of shares for the purpose of basic earnings per share	A	**259.0**	258.4	258.3
Dilutive effect of employee share options		**0.4**	0.5	1.2
Weighted average number of shares for the purpose of diluted earnings per share	B	**259.4**	258.9	259.5

	Key	**6 months to 30 June 2023 £m**	6 months to 30 June 2022 £m	Year to 31 Dec 2022 £m
Statutory profit for the period	C	**109.3**	94.6	226.3
Total adjusting items charges included in profit for the period, before tax		**41.6**	33.1	60.7
Total adjusting items credits included in taxation		**(11.0)**	(6.0)	(14.6)
Earnings for adjusted EPS	D	**139.9**	121.7	272.4

Statutory EPS measures				
Statutory basic EPS	C/A	42.2p	36.6p	87.6p
Statutory diluted EPS	C/B	42.1p	36.5p	87.2p
Adjusted EPS measures				
Adjusted basic EPS	D/A	54.0p	47.1p	105.5p
Adjusted diluted EPS	D/B	53.9p	47.0p	105.0p

5. Net financing costs

	6 months to 30 June 2023			6 months to 30 June 2022			Year to 31 Dec 2022		
Recognised in the income statement	**Interest £m**	**Financial instruments £m**	**Total £m**	Interest £m	Financial instruments £m	Total £m	Interest £m	Financial instruments £m	Total £m
Interest income on bank deposits	**3.7**		**3.7**	2.5		2.5	4.6		4.6
Financial income	**3.7**	**-**	**3.7**	2.5	-	2.5	4.6	-	4.6
Interest expense on interest-bearing loans and borrowings	**(14.2)**		**(14.2)**	(7.7)		(7.7)	(21.0)		(21.0)
Interest expense on leases	**(1.5)**		**(1.5)**	(1.4)		(1.4)	(2.8)		(2.8)
Financial expense	**(15.7)**	**-**	**(15.7)**	(9.1)	-	(9.1)	(23.8)	-	(23.8)
Recognised in other comprehensive income									
Gains/(losses) on instruments measured at fair value through profit or loss:									
Other economic hedges		**2.3**	**2.3**		(2.3)	(2.3)		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes	**(0.7)**		**(0.7)**	0.8		0.8	1.5		1.5
Net financial (expense)/income	**(12.7)**	**2.3**	**(10.4)**	(5.8)	(2.3)	(8.1)	(17.7)	4.9	(12.8)

Included in financial instruments are current period trading gains and losses on economically effective transactions which for management reporting purposes are included in adjusted revenue and operating profit (see Note 2). For statutory purposes, these are required to be shown within net financial income and expense. Gains or losses on economic hedges for future period transactions are in respect of financial instruments held by the Group to provide stability of future trading cash flows.

6. Taxation

The tax charge before adjusting items is £40.2m (year ended 31 December 2022: £73.7m) which equates to an adjusted effective tax rate of 22.3% compared to 21.0% for the comparative six-month period in the prior year and 21.3% for the year ended 31 December 2022. The normalised rate of 22.3% has been calculated using the full year projections and has been applied to adjusted profit before tax for the period ended 30 June 2023.

The tax effects of adjusting items have been based on the applicable rates of tax applying to the adjusting items arising in the period ended 30 June 2023.

The statutory tax charge of £29.2m (year ended 31 December 2022: £59.1m) equates to an effective tax rate of 21.1%. This compares to a rate of 21.8% for the six months ended 30 June 2022 and 20.7% for the year ended 31 December 2022.

7. Dividends

The final dividend relating to the year ended 31 December 2022 of 17.4p per share (relating to the year ended 2021: 15.8p) was paid in May 2023 amounting to £45.1m (2022: £40.8m).

In addition, the directors have declared an interim dividend for the current year of 9.1p per share (2022: 8.3p per share) amounting to £23.6m which will be paid on 15 September 2023 to shareholders on the register on 11 August 2023. In accordance with IAS10 'Events after the Balance Sheet Date' this interim dividend has not been reflected in these Interim Financial Statements.

8. Property, plant and equipment and intangible assets

Capital expenditure on property, plant and equipment in the period was £28.1m (30 June 2022: £33.3m), the majority of which was in respect of plant and equipment.

Capital expenditure on non-acquired intangible assets in the period was £7.9m (30 June 2022: £7.0m). This included £nil (30 June 2022: £2.8m) in respect of capitalised development costs and £7.9m (30 June 2022: £4.2m) in respect of other non-acquired intangible assets (including those under construction).

9. Employee benefits

The net defined benefit pension deficit at 30 June 2023 was £39.6m (31 December 2022: £18.9m); made up of assets of £380.0m (31 December 2022: £412.2m), liabilities of £415.0m (31 December 2022: £425.4m) and an asset ceiling of £4.6m (31 December 2022: £5.7m). The UK net surplus in the Funds decreased to £5.9m (31 December 2022: £28.4m). The decrease is a result of unfavourable movements in the return on plan assets.

The net deficit in respect of the total overseas obligations decreased slightly to £46.0m (31 December 2022: £47.4m) due to employer contributions and a favourable movement in exchange.

During 2022, the Group completed an insurance buy-in exercise for the remaining uninsured members. The Trustees agreed to defer part of the premium owed to the insurance company for this buy-in and the outstanding amount is expected to be paid over the next 5 years. The present value of the deferred premium was deducted from the total asset value during 2022. The impact was recognised as a loss in other comprehensive income.

During 2022, the Group ceased contributions to the Scottish Limited Partnership as the UK Deferred Fund is fully funded. The final payment of £3.5m was made in February 2022.

10. Fair value hierarchy

The following table shows the Group's financial instruments held at fair value (excluding cash):

	30 June 2023				31 Dec 2022			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets measured at fair value								
Equity instruments*	**1.7**			**1.7**	2.0			2.0
Foreign currency forward contracts		**16.5**		**16.5**		15.7		15.7
	1.7	**16.5**	**-**	**18.2**	2.0	15.7	-	17.7
Financial liabilities measured at fair value								
Foreign currency forward contracts		**(10.1)**		**(10.1)**		(13.8)		(13.8)
	-	**(10.1)**	**-**	**(10.1)**	-	(13.8)	-	(13.8)

*Equity instruments primarily relate to investments in funds in order to satisfy long-term benefit arrangements.

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – significant other observable inputs

Level 3 – unobservable inputs

Valuation techniques for level 2 inputs

Derivative assets and liabilities of £16.5m and £10.1m, respectively, are valued by level 2 techniques. The valuations are derived from discounted contractual cash flows using observable, and directly relevant, market interest rates and foreign exchange rates from market data providers.

Cash and cash equivalents and bank overdrafts are carried at their book value as this approximates to the fair value due to the short-term nature of the instruments.

The fair values of all other financial assets and liabilities in the balance sheet as at 30 June 2023, 31 December 2022 and 30 June 2022 are materially equivalent to their carrying values with the exception of the US private placement fixed rate loans, for which the carrying values are set out below:

	Carrying value	**Fair value***
	£m	**£m**
30 June 2023	**528.2**	**491.7**
31 December 2022	545.8	504.6
30 June 2022	546.9	537.4

*The US private placement fixed rate loans are valued by level 2 techniques.

11. Cash flow reconciliation

Reconciliation of net cash to movement in net debt

	6 months to 30 June 2023 £m	6 months to 30 June 2022 £m	Year to 31 Dec 2022 £m
Net (decrease)/increase in cash and cash equivalents*	**(4.9)**	5.6	11.0
Less: cash acquired/disposed	**-**	(2.6)	(10.0)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	**32.8**	(125.3)	(137.8)
Decrease/(increase) in net debt*	**27.9**	(122.3)	(136.8)
Net cash acquired	**-**	2.6	10.0
Currency translation differences	**6.6**	(20.4)	(50.6)
Movement in lease liabilities	**5.6**	2.6	(11.8)
Movement in net debt in the period	**40.1**	(137.5)	(189.2)
Net debt at the start of the period	**(812.0)**	(622.8)	(622.8)
Net debt at the end of the period**	**(771.9)**	(760.3)	(812.0)

*Excluding foreign exchange.

**Net debt is defined as cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities.

Reconciliation of net cash flow (excluding debt movements)

	6 months to 30 June 2023 £m	6 months to 30 June 2022 £m	Year to 31 Dec 2022 £m
Adjusted EBITDA*	**238.8**	202.4	457.0
Working capital movements	**(47.7)**	(77.7)	(85.1)
Capital and development expenditure	**(36.0)**	(40.3)	(71.3)
Provisions and employee benefit movements**	**0.3**	(0.7)	1.5
Principal elements of lease payments	**(14.6)**	(13.8)	(32.3)
Other	**4.5**	9.0	20.2
Adjusted operating cash flow***	**145.3**	78.9	290.0
Adjusting items	**(24.1)**	(20.8)	(52.6)
Tax paid	**(42.5)**	(20.0)	(48.6)
Interest	**(12.0)**	(6.6)	(19.2)
Derivatives	**6.2**	(1.3)	(8.6)
Additional pension scheme funding	**-**	(3.5)	(3.5)
Free cash flow before corporate activity	**72.9**	26.7	157.5
Dividends paid to equity shareholders	**(45.1)**	(40.8)	(62.2)
Acquisition of subsidiaries	**-**	(88.3)	(213.3)
Net issue/(purchase) of own shares and share buyback programme	**0.1**	(19.9)	(18.8)
Net cash flow (excluding debt movements)	**27.9**	(122.3)	(136.8)

*Adjusted profit after tax (£139.9m), before interest (£12.7m), tax (£40.2m), depreciation (£37.2m), amortisation (£8.8m) and impairment of property, plant and equipment and non-acquired intangibles (£nil).

**Movement in provisions and employee benefits as per the interim statement of cash flows (£1.2m) adjusted for the movement in restructuring provisions (£0.9m).

***Adjusted operating cash flow is the cash generated from the operations shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus, cash received from the sale of property, plant and equipment and the sale of investments, excluding the cash impact of adjusting items. This measure best reflects the operating cash flows of the Group.

11. Cash flow reconciliation (continued)

Reconciliation of adjusted operating cash flow to cash flow statement

	6 months to 30 June 2023 £m	6 months to 30 June 2022 £m	Year to 31 Dec 2022 £m
Cash generated from operations	**173.6**	111.2	335.8
Principal lease payments	**(14.6)**	(13.8)	(32.3)
Settlement of transactional derivatives	**(2.4)**	(0.3)	2.3
Acquisition of property, plant and equipment and non-acquired intangibles	**(36.0)**	(40.3)	(71.3)
Adjusting items	**24.1**	20.8	52.6
Proceeds from sale of property, plant and equipment	**0.6**	1.3	2.9
Adjusted operating cash flow	**145.3**	78.9	290.0

Reconciliation of cash and cash equivalents

	6 months to 30 June 2023 £m	6 months to 30 June 2022 £m	Year to 31 Dec 2022 £m
Cash and cash equivalents in current assets	**112.3**	133.2	133.0
Bank overdraft in current liabilities	**(79.1)**	(83.0)	(93.8)
Cash and cash equivalents	**33.2**	50.2	39.2

12. Share capital

	Ordinary shares of 28 4/7 p each	
	Number (m)	**Value (£m)**
In issue at the start of the period	275.0	78.6
Issued to satisfy employee share schemes	0.1	-
In issue at the end of the period	**275.1**	**78.6**

13. Exchange rates

The income and cash flow statements of overseas operations are translated into sterling at the average rates of exchange for the period, balance sheets are translated at period end rates. The most significant currencies for the Group are the Euro and the US dollar for which the relevant rates of exchange were:

	Income statement and cash flow average rates			**Balance sheet rates as at**		
	6 months to 30 June 2023	6 months to 30 June 2022	Year to 31 Dec 2022	**30 June 2023**	30 June 2022	31 Dec 2022
Euro	**1.14**	1.19	1.17	**1.16**	1.16	1.13
US dollar	**1.23**	1.30	1.24	**1.27**	1.22	1.21

14. Acquisitions

Acquisitions in 2022

During the year ended 31 December 2022, the Group made three acquisitions, namely:

- Heatmiser UK Ltd ("Heatmiser")
- CorSolutions LLC ("CorSolutions")
- Bahr Modultechnik GmbH ("Bahr")

a) Heatmiser UK Ltd ("Heatmiser")

	Fair value at 23 December 2022 £m
Other intangible assets	46.2
Property, plant and equipment	0.2
Inventories	7.4
Trade and other receivables	5.6
Cash and cash equivalents	7.4
Trade and other payables	(4.7)
Current taxation	(0.6)
Deferred taxation	(11.6)
Total identified net assets at fair value	**49.9**
Goodwill arising on acquisition	71.6
Total consideration	**121.5**
Of which relates to deferred consideration	4.0
Purchase consideration transferred	**117.5**

On 23 December 2022 the Group acquired 100% of the share capital, and associated voting rights, of Heatmiser UK Ltd ("Heatmiser") for initial cash consideration of £117.5m, with up to a further £8.0m payable based on future financial performance. Heatmiser is a leading UK smart thermostatic control manufacturer and is based in Blackburn, UK.

This acquisition has been accounted for as a business combination. The provisional purchase price allocation has been completed in the first half of 2023. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations.

Acquisition costs of £2.0m were recognised in the income statement in 2022.

b) CorSolutions LLC ("CorSolutions")

	Fair value at 27 October 2022 £m
Other intangible assets	8.8
Inventories	0.6
Deferred taxation	-
Total identified net assets at fair value	**9.4**
Goodwill arising on acquisition	2.3
Total consideration	**11.7**
Of which relates to deferred consideration	3.6
Purchase consideration transferred	**8.1**

On 27 October 2022 the Group acquired 100% of the share capital, and associated voting rights, of CorSolutions LLC ("CorSolutions") for initial cash consideration of £7.5m and an expected earn-out of £3.6m. An additional payment of £0.6m has been made in 2023 as part of the closing consideration. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

14. Acquisitions (continued)

This acquisition has been accounted for as a business combination. Changes were made to the provisional fair value amounts recognised in the 2022 Annual Report and Accounts in respect of the identified assets acquired and liabilities assumed to reflect the closing consideration true-up payment. This resulted in an increase in goodwill by £0.6m. Our accounting remains provisional and will be finalised in the second half of 2023.

c) Bahr Modultechnik GmbH ("Bahr")

On 9 June 2022 the Group acquired 100% of the share capital, and associated voting rights, of Bahr Modultechnik GmbH ("Bahr") for cash consideration of £88.3m. Bahr is a leading provider of highly configured modular electric linear motion systems, based on a broad portfolio of specialist components and is based in Luhden, Germany.

This acquisition has been accounted for as a business combination. Our accounting has been finalised and there are no changes to the provisional fair value amounts recognised in the 2022 Annual Report and Accounts in respect of the identified assets acquired and liabilities assumed.

d) Adjustments arising on prior year acquisitions

In finalising the acquisition accounting for the prior year acquisitions of CorSolutions and Heatmiser, an adjustment of £30.0m was made to include acquired intangibles and corresponding deferred tax, adjust working capital and other payables. This resulted in a decrease in goodwill of £30.0m.

The adjustment is material and as such the comparative balance sheet has been restated, as follows:

	Balance Sheet (as Reported) 2022 £m	Allocation of Heatmiser and CorSolutions goodwill 2022 £m	Restated Balance Sheet 2022 £m
Non-current assets			
Goodwill	733.7	(30.0)	703.7
Other Intangible assets	270.5	46.2	316.7
Deferred tax assets	24.5	(0.3)	24.2
Current assets			
Inventories	416.3	1.4	417.7
Trade and other receivables	484.9	(1.0)	483.9
Current tax	2.0	(0.1)	1.9
Total assets	**2,519.9**	**16.2**	**2,536.1**
Non-current liabilities			
Deferred tax liabilities	(47.9)	(11.3)	(59.2)
Other payables	(9.9)	(3.2)	(13.1)
Current liabilities			
Trade and other payables	(437.7)	(1.4)	(439.1)
Current tax	(70.1)	(0.3)	(70.4)
Total liabilities	**(1,614.3)**	**(16.2)**	**(1,630.5)**

15. Disposals

Disposals in 2022

The Group disposed of its Russian subsidiary IMI International LLC on 27 May 2022 for proceeds of £nil resulting in a loss on disposal for the Group of £4.8m after disposing of £3.3m of net assets and incurring £0.9m of associated disposal costs. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

The exit from Russia is presented in the 2022 income statement as an adjusting item but it is not disclosed as a discontinued item because it did not represent a separate major line of business.