IMI plc
Press Release

1 August 2014

Interim results, six months ended 30 June 2014

	Adjusted[1]			Statutory		
Continuing operations:	**2014 H1**	2013 H1 (Restated)	Change	**2014 H1**	2013 H1 (Restated)	Change
Revenue[2]	**£809m**	£831m	-3%	**£808m**	£832m	-3%
Operating profit[2]	**£137m**	£146m	-6%	**£113m**	£129m	-12%
Operating margin[2]	**17.0%**	17.6%	-60bps			
Profit before tax	**£127m**	£134m	-5%	**£106m**	£117m	-9%
Total profit[3]	**£99m**	£103m	-4%	**£562m**	£113m	+397%
Basic EPS[3]	**34.9p**	31.8p	+10%	**200.6p**	34.9p	+475%
Dividend per share	**13.6p**	12.8p	+6%			
Operating cash flow	**£98m**	£124m	-21%			
Net debt	**£232m**	£212m				

[1] Excluding the effect of items reported as exceptional in the Income Statement.
[2] Adjusted amounts as per segmental information – note 2 to the financial statements.
[3] Statutory amounts for Total profit and Basic EPS include both continuing and discontinued operations.

Highlights

- Organic revenue growth of 3%
- Strong sterling adversely impacted revenue by £45m and operating profit by £7m
- Exceptional profits of £478m on disposals and £620m return of cash completed
- Interim dividend increased by 6%
- Business review completed and new accelerated growth strategy in place
- Significant opportunities to improve operations and accelerate growth
- Ambition to double operating profits by 2019

Roberto Quarta, Chairman, commented:

"We have undertaken a very detailed review of all aspects of the Group and, building on IMI's significant strengths, we have a robust plan in place to drive growth and build long term shareholder value."

Mark Selway, Chief Executive added:

"The first half result is broadly in line with expectations. On a constant currency basis we expect the Group to deliver an improved rate of organic revenue growth in the second half. While our aim is to progressively self-fund our organic growth initiatives, in the second half margins are expected to be slightly lower compared to the same period last year as we invest in a number of areas to ready our business for accelerated future growth.

"IMI has all the ingredients to become a world class business and the leader in its chosen sectors. Our strategic plan will ensure that this potential is harnessed and fully exploited to deliver sustainable accelerated top and bottom line growth. The opportunities are significant and that is reflected in our ambition to double the Group's 2014 operating profits over the next five years, while retaining our financial discipline."

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A live webcast of the analyst meeting taking place today at 8:15am (GMT) will be available on the investor page of the Group's website: www.imiplc.com. The Group plans to release its Interim Management Statement on 14 November 2014.

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Results overview

Overall, the Group performed broadly in line with expectations in the first half with revenues up 3% on an organic basis compared to the first half of last year. On a reported basis revenues were down 3% reflecting the significant exchange rate headwind of 6% caused by the strength of sterling compared to the same period last year. Segmental operating profit was £137m, 1% lower on a constant currency basis and 6% lower on a reported basis. The Group completed the disposal of its Beverage Dispense and Merchandising divisions on 1 January 2014 realising an exceptional profit of £478m. Following the disposal, the Group returned £620m of cash to shareholders accompanied by a share consolidation. Adjusted basic earnings per share increased by 10% to 34.9p, reflecting the impact of this share consolidation.

Based on this first half performance and an expectation of improved revenue momentum in the second half, the Board has decided to increase the interim dividend by 6% to 13.6p (2013: 12.8p).

Divisional review

The following divisional review for the six months to 30 June 2014 compares the performance of our operations with the six month period to 30 June 2013 and also comments on the current market conditions and outlook for each division. The Group is implementing a new brand identity and the three divisions have been renamed as follows: Severe Service is now IMI Critical Engineering; Fluid Power is now IMI Precision Engineering; and Indoor Climate is now IMI Hydronic Engineering.

IMI Critical Engineering (formerly Severe Service)

Revenue	£315m	(2013 H1: £322m)
Operating profit	£51m	(2013 H1: £49m)
Operating margin	16.1%	(2013 H1: 15.2%)

Performance

First half revenues in our Critical Engineering division were up 3% on an organic basis and down 2% on a reported basis, reflecting the adverse impact of exchange rate movements. This is against a first half last year when shipments included a catch up in backlog that existed at the end of 2012. In terms of our end markets, revenues have grown strongly in Oil & Gas, benefiting from the significant high integrity pressure protection system (HIPPS) order secured last year which is now being shipped to the customer in the Middle East. The Petrochemical and Aftermarket sectors also delivered good revenue growth, while revenues in Fossil Power, Nuclear and Iron & Steel were lower.

As expected, because of the strong first half last year, which included the very large HIPPS order, order input was 12% lower. The Fossil Power sector continued to grow with order input up 9%. Oil & Gas bookings were down over 30% but, excluding the impact of the HIPPS order, increased 15% with continued good momentum in LNG. Order intake in Nuclear was disappointing, down 37% compared to the first half of last year when we secured a number of orders for safety related projects and because of a material drop in demand levels at IMI Components, which supplies non-valve components into the nuclear fuel enrichment market. This has resulted in an exceptional impairment charge of £1m being taken in the first half results and the proposed closure of the IMI Components manufacturing site in Birmingham with an anticipated exceptional restructuring charge of up to £10m in the second half. In the Petrochemical sector bookings were down 13%. Aftermarket bookings grew by 7% excluding Nuclear but were down 1% overall.

Operating profit at £51m was up 9% on a constant currency basis and 4% on a reported basis. Operating margins further improved in the first half increasing to 16.1% compared to 15.2% in the first half of 2013 as ongoing improvements in project execution continue to positively impact margins.

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Outlook

Based on its current order book, we continue to expect our Critical Engineering division to deliver a strong performance. In the remainder of the year, on a constant currency basis, we expect further revenue, profit and margin growth.

IMI Precision Engineering (formerly Fluid Power)

Revenue	£355m	(2013 H1: £363m)
Operating profit	£63m	(2013 H1: £69m)
Operating margin	17.7%	(2013 H1: 19.1%)

Performance

Revenues in our Precision Engineering division were up 4% on an organic basis reflecting improved conditions in a number of key markets. On a reported basis, after the impact of exchange rate movements, revenues were down 2%.

In our largest end market in this division, Industrial Automation, revenues grew by 5% with the Americas up 5%, Europe up 4% and Asia Pacific up 13%. Commercial Vehicle revenues increased by 3% on a constant currency basis with European revenues up 27%, benefiting from the introduction of the new Euro VI engines in 2014. As expected our North American truck revenues were lower, down 6%, reflecting the end of a large contract during 2013 and our Rest of World business was down 18%, impacted by lower truck production in Brazil. The Oil & Gas sector was 6% lower reflecting the strong performance in the first half of last year. Of the other main end markets, on a constant currency basis Life Sciences was down 2%, Food & Beverage up 9% and Rail up 35% albeit from a low base.

Operating profit at £63m was 4% lower on an organic basis and 9% lower on a reported basis. As expected operating margins at 17.7% were lower reflecting the sales mix and increased investment to support growth initiatives. This first half result includes the two very small technology-led acquisitions, AFP and NPSL, which were acquired in 2013. In the first half these businesses contributed £1.2m of revenue and operating losses of £1.6m. The results of AFP in particular, were considerably lower than expectations resulting in an exceptional impairment charge of £11m being taken in the first half results.

Outlook

Lead market indicators remain generally stronger and support our expectation of improving prospects in our Precision Engineering division's most important industrial markets. In the Commercial Vehicle sector volumes are expected to grow in both Europe and North America but may be lower in Brazil. On a constant currency basis we expect Precision Engineering to deliver good second half revenue growth with margins higher than in the first half of the year.

IMI Hydronic Engineering (formerly Indoor Climate)

Revenue	£139m	(2013 H1: £146m)
Operating profit	£23m	(2013 H1: £28m)
Operating margin	16.8%	(2013 H1: 19.0%)

Performance

Hydronic Engineering revenues were up 1% on an organic basis and down 5% on a reported basis reflecting the adverse impact of exchange rates. Revenues in Europe were flat with market conditions continuing to be mixed from country to country. In contrast, revenues from the emerging markets grew by

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around 10% and while performance was impacted by our decision to scale back our interest in less profitable emerging markets, the division achieved good growth in those countries where we chose to remain, including Brazil and China. Our North American business continued to underperform with weather related issues impacting revenues by 13% on an organic basis.

On a product basis TA, our balancing and control valve business, was lower by 2%, Heimeier, our thermostatic radiator valve business was up 1% and Pneumatex, our hydronic conditioning business, was up 6%. The division continued to increase investment in new product development and successfully launched seven new products in the first half. In total Hydronic Engineering has launched 14 new products over the last year and has a good pipeline of further launches scheduled for the second half of 2014 and 2015. This accelerated new product agenda will support our growth ambitions in the future.

As expected, operating profits at £23m were down 12% on an organic basis, and 16% on a reported basis. This reflected the additional costs of around £3m incurred in the half associated with the new product launches and the withdrawal from a number of less profitable emerging markets. As a result operating margins at 16.8% were lower compared to the first half of last year.

Outlook

On a constant currency basis, we expect our Hydronic Engineering division to deliver revenue growth in the second half driven by the recent new product launches. We also expect margins to improve in the second half, as the business benefits from the normal seasonally higher volumes, albeit at lower levels than in the second half of last year due to ongoing new product investment and rebranding costs.

Group outlook

The current strength of sterling is expected to continue to provide a significant translational headwind in the second half impacting both revenues and profits by approximately 6%.

On a constant currency basis, we expect the Group to deliver an improved rate of organic revenue growth in the second half. While our aim is to progressively self-fund our organic growth initiatives, in the second half margins are expected to be slightly lower compared to the same period last year as we invest in a number of areas to ready our business for accelerated future growth.

Financial review

Revenues of £809m were down 3% (2013 restated: £831m). After adjusting for the AFP and NPSL acquisitions in Precision Engineering and for adverse exchange rate movements, organic revenues were up 3%. Segmental operating profit was £137m, a 6% decline on the prior period (2013 restated: £146m). On an organic basis operating profit was down 1%.   The Group segmental operating margin was 60 basis points lower at 17.0% (2013 restated: 17.6%). Statutory reported operating profit was down 12% at £113m (2013 restated: £129m).

Net interest costs on borrowings were £7m (2013: £8m) and were covered 21 times by earnings before interest, tax, depreciation and amortisation (EBITDA) on continuing operations of £155m (2013: £160m). The IAS19 pension net financing charge was £2m (2013: £4m). The total net financing costs (before exceptional items) were £9m (2013: £12m). Adjusted profit before tax (before exceptional items) was £127m, a decrease of 5% (2013 restated: £134m).

Due to their quantum, restructuring costs of £2m were incurred but not treated as exceptional. Amortisation of acquired intangibles was £9m (2013: £12m). Given the trading performance and prospects of AFP and IMI Components, the Group has taken an exceptional impairment charge of £12m of which £11m is against AFP in Precision Engineering and £1m against IMI Components in the Critical Engineering division. The only other exceptional items affecting continuing businesses were £0.4m of other acquisition-related costs, the reversal of net economic hedge contract gains of £2m (2013: £0.4m) and net exceptional financial instrument gains of £2m (2013: £3m).

After these exceptional items, reported profit before tax was £106m (2013 restated: £117m).

The estimated effective tax rate on profit before exceptional items for 2014 was 22.0%, which compares to an effective rate of 23.3% (restated) for the first half of 2013 and 22.0% for the full year in 2013. The Group made an exceptional after-tax profit of £478m on the disposal of the Beverage Dispense and Merchandising businesses (the “Retail Dispense” businesses), which completed on 1 January 2014. The total profit for the period after taxation was £562m (2013 H1: £113m) and, after non-controlling interests, the profit attributable to the equity shareholders of the Company was £561m. Following the 7 for 8 share consolidation in February 2014, the average number of shares in issue during the period was 279m (2013: 318m), resulting in basic earnings per share of 200.6p, an increase of 475% (2013: 34.9p). Diluted earnings per share was 198.5p, up 475% (2013: 34.5p). Adjusted basic earnings per share from continuing operations was 34.9p, compared to 31.8p from the first half of 2013, an increase of 10%.

Foreign exchange

The impact of translation on the reported growth of first half revenues and segmental operating profits was decreases of £45m (6%) and £7m (5%) 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 17 to this report. If the exchange rates at 28 July (€1.26 and US$1.70) remain constant for the remainder of the year, they would adversely impact both revenues and segmental operating profit by about 6%.

Cash flow

Cash inflow generated from operations was £98m, compared to £143m in the corresponding period last year. This included a working capital outflow of £45m against an outflow of £52m in the comparable period. Trade and other receivables increased by £26m, inventories increased by £40m and trade and other payables increased by £21m. Capital expenditure on property, plant and equipment amounted to £18m. Including capitalised intangibles of £5m, total capital expenditure was £23m and was 1.2 times the depreciation and amortisation charge for the period of £19m. The other major cash outflows in the period were £28m of tax, dividends of £61m, and a net £31m for the purchase of shares for the employee benefit trust, financed by the net drawdown of borrowings of £3m in the period. The Group also received net proceeds of £663m from the disposal of the Retail Dispense businesses on 1 January 2014. Following the receipt of these proceeds, an additional cash contribution of £53m was made to the UK pension fund and £620m was returned to shareholders through the B and C share scheme. The total cash outflow for the period was £37m, compared with an inflow of £10m in the first half of the previous year.

Balance sheet

The balance sheet remains strong with the ratio of net debt to the last twelve months’ EBITDA being 0.7 at the end of June (December 2013: 0.6). Net debt increased during the period to £232m (December 2013: £199m) principally due to the cash flows highlighted above.

The Group maintains an appropriate mixture of cash and short, medium and long-term debt arrangements which provide sufficient headroom for both ongoing growth initiatives and acquisitions. Total committed bank loan facilities available to the Group at 30 June 2014 were £272m (December 2013: £275m) of which £65m were drawn (December 2013: £60m).

Total equity at the end of June was £471m, a decrease of £177m since the end of last year, which includes the attributable profit for the period of £562m, a reduction in equity of £620m following the share consolidation and return of cash, an after-tax actuarial loss on the defined benefit pension plans of £9m, net shares acquired of £31m and the 2013 final dividend of £61m paid in May.

Pensions update

The IAS19 net pension deficit at 30 June 2014 was £105m which compares to the deficits of £183m at 30 June 2013 and £158m at 31 December 2013. Of this amount, £10m (31 December 2013: £63m) related to the UK Fund which is the most significant of the Group's defined benefit obligations. The decrease in the UK defined benefit obligation was mainly due to a £53m cash contribution the Company made in January following the completion of the disposal of the Retail Dispense businesses. The deficit relating to the overseas obligations remained broadly unchanged in the six month period.

CEO strategic review

Overview

The review which I initiated shortly after my arrival, has now been largely completed. Using the information gathered through this process we have developed a five year plan to harness the Group's full potential to deliver sustainable accelerated growth and shareholder value. The opportunities are significant and that is reflected in our ambition to double the Group's 2014 operating profits by 2019.

IMI has many strengths which provide us with an excellent foundation on which to build the next phase of the Group's development and growth. Today all our specialist flow control businesses are concentrated on industrial end markets. We have a strong balance sheet, which provides headroom and flexibility to support a range of both organic and acquisitive growth opportunities, great people, market-leading engineering expertise and strong long-term relationships with world class customers.

However, we do have a number of challenges that must be addressed if we are to deliver long-term accelerated growth. We need to invest in product development which will become a critical component of our growth plan to build sustainable competitive advantage. Because of the historically diverse make-up of the Group, and the autonomous nature of the businesses, there is also a need to invest in Group-wide IT systems and facilities. Furthermore the organisational structure that has evolved over the years is complex and in many places inefficient. And as I highlighted in March, we have significant underutilised capacity which has caused top line margins to be absorbed by increasing levels of fixed costs. Our plan addresses all these issues.

Our plan for each of the divisions

IMI Critical Engineering

The plan for our Critical Engineering division is all about focus and growth.

We operate in attractive markets and have excellent competitive positions. To drive organic growth we will capitalise on our leadership position within the Power sector and grow our market share in both the Oil & Gas and Petrochemical sectors. In each of these sectors we already have a large installed base, which together with the critical nature of our products, provide significant barriers to entry and protect the highly profitable aftermarket. We will also invest to support growth in these areas including investment in new plants and, potentially, the expansion of the geographic footprint of the division's service network to leverage the existing installed base and capture a greater share of the aftermarket.

There is also significant opportunity to improve the division's operational performance. All 21 of our Critical Engineering plants have been benchmarked against the ten areas of lean and on average they scored 26%. Plans are already in place to improve this score by 60% over the next six months and to achieve world class performance by 2018.

Over the life of our five year strategic plan our goal is for an average organic growth rate of around 6 to 8%. We will supplement this organic growth by continuing to target bolt-on acquisitions to expand our product range and our geographic footprint within our existing markets and to extend our Oil & Gas presence into adjacent attractive markets including subsea. We will also consider expanding our product range to include semi-severe and configured opportunities in each of our key sectors.

IMI Precision Engineering

Our Precision Engineering division offers significant potential for accelerated growth. However, harnessing this potential will take time. In the first phase of our plan we will address the existing infrastructure, including simplifying the organisational structure, implementing robust systems and improving operational performance. As with Critical Engineering, all 29 of our Precision Engineering plants have been benchmarked against the ten areas of lean and on average they scored 32%. Plans are already in place to improve this score by 45% over the next six months and to achieve world class performance by 2018.

To drive growth organically we will focus on growing our market share in those end markets that will deliver the best returns. Our growing Oil & Gas business will serve as a springboard for our organic growth ambitions as we implement plans to expand our geographic reach and grow market share in this highly attractive market. We are also convinced that our Industrial Automation business has significant potential to deliver good and sustainable profitable growth. This part of our business currently operates across a wide range of end markets and we must ensure we operate in those that will deliver the best returns over the long term. Accordingly, a review is underway to determine exactly where best to deploy our firepower in the Industrial Automation arena and we will provide an update on our findings at the time of the preliminary results.

Significantly improving operational performance and driving organic growth are our first priorities. As we focus on these priorities, during the first two years of our plan the goal is to grow at a rate in line with GDP. Thereafter the goal is to grow at an organic rate in the range of 6 to 8% and we will take whatever steps may be required including closing excess plant capacity to achieve this. Once the division is operating optimally we will look to supplement growth by targeting larger scale acquisitions.

IMI Hydronic Engineering

The plan for our Hydronic Engineering division is all about focus and growth, primarily organic growth.

Our industry recognised brands have enabled us to establish leading positions in the most attractive Balancing and Thermostatic Control sectors which have relatively low levels of cyclical variation. We will capitalise on our unrivalled premier sector positions, particularly in the European market, by building a pipeline of great new products which will be the cornerstone of our growth plan. To accelerate our organic growth we have already stepped up the pace of product development launching 14 new products in the last nine months with a further five new products scheduled for launch before the year-end.

While Hydronic Engineering has the smallest operational footprint, with only nine sites, improving its operational performance is still a key part of our growth plan. On average our plants in this division scored 36% against our lean benchmarks and plans are already in place to improve this score by over 45% over the next six months and to achieve world class performance by 2018.

The growth plan in our Hydronic Engineering division, which has a goal of compound organic growth rate in excess of 5% over the life of our five year plan, is predominantly organically focused. However there is potential to grow the division through acquisition. Any such deal would need to satisfy stringent criteria including, in particular, building critical mass in the North American market.

Summary

In summary, our strategic plan to accelerate growth is focused on the following four key growth drivers:

Capitalising on significant organic growth opportunities

We already operate in a number of attractive end markets however we must focus on those that offer the greatest potential in terms of delivering top and bottom line growth. Such end markets include those where we already are, or have the potential to be, in a leading position, markets where we can grow share and markets where there are significant higher margin aftermarket opportunities.

Improving operational performance

We have benchmarked the operational performance of every business in the Group against the ten areas of lean. A world class operational performance score is 85% or more. Not one of our 59 facilities currently achieves this with the highest scoring only 54%. Each of our businesses already has in place plans to improve their operational performance by on average 50% in the next six months and to achieve world class scores by 2018.

The benefits of moving towards and achieving best in class operational performance are very significant. As we improve how our businesses operate we will better utilise capacity, enhance our competitiveness, reduce working capital and generate cost savings by operating more efficiently. Our ambition is to progressively self-fund our organic growth initiatives using the cost savings generated from our operational improvements.

Supplementing organic growth through targeted acquisitions

We have a large number of self-help initiatives we can deploy to drive significant organic growth. We will supplement this organic growth with targeted acquisitions capable of producing returns in excess of the Group's weighted average cost of capital within three years.

Beyond our existing business portfolio, our review has identified the potential to double the Group's addressable market by making acquisitions in adjacent non-valve product markets. Criteria for such acquisitions include a focus on North American revenues, strong aftermarket dynamics and critical products that create significant barriers to entry.

Maintaining financial discipline

As we execute our strategy to deliver accelerated growth we will continue to maintain financial discipline. Capital will be allocated to drive organic growth, maintain a progressive dividend policy in line with earnings and fund acquisitions. Whilst retaining flexibility to develop IMI's full potential, we will continue to focus on maintaining an efficient balance sheet and, in the event of us having cash in excess of the Group's current needs, we will return this excess capital to shareholders.

Through the life of our five year plan we will target net debt to EBITDA of up to two times through the cycle. Progressively we will increase R&D spend from around 3% of revenues in 2013 to 4% to 5% over the next two to three years. Capital spending will also increase progressively to around two times depreciation where it will remain for four to five years.

Our ambition

I believe that IMI has all the ingredients to become a world class business and the leader in its chosen sectors. Our strategic plan will ensure that this potential is harnessed and fully exploited to deliver sustainable accelerated top and bottom line growth. The opportunities are significant and that is reflected in our ambition to double the Group's 2014 operating profits over the next five years, while retaining our financial discipline.

Other regulatory information

Board changes

As previously announced, Martin Lamb retired from the Board following the AGM on 8 May 2014.

Going concern

The Group has considerable financial resources together with long-standing relationships with a number of customers, suppliers and funding providers across different geographic areas and industries. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current bank facilities without needing to renew facilities expiring in the next 12 months. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook.

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. Accordingly, they continue to adopt the going concern basis in preparing 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.

In common with all businesses, IMI faces a number of risks and uncertainties which could have a material impact on the Group's long-term performance.

On pages 26 to 27 of its 2013 Annual Report (a copy of which is available at IMI's website at 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 failure to comply with legislation and a breach of our own high standards of ethical behaviour; failure to deliver some major transformational projects successfully; failure of our health, safety and environmental controls resulting in harm to employees or other stakeholders; failure of products and technology; loss of a key facility; failure to develop a pipeline of new products; mergers and acquisitions; failure to attract and retain talent; failure to manage the supply chain and IT failure or system collapse and loss of data. These risks remain valid and have the potential to impact the Group during the remainder of the second half of 2014. The impact of the economic and end-market environments in which the Group's businesses operate are considered in the divisional review and outlook sections of this Interim Management Report above, together with an indication of whether management is aware of any likely change in this situation.

Cautionary 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. 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 IAS34 *'Interim Financial Reporting'* as adopted by the EU;
- 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;
- there were no related party transactions or changes in the related party transactions described in the 2013 Annual Report that materially affected the Group's results or financial position during the six months ended 30 June 2014.

The Directors of IMI plc are listed in the IMI Annual Report for the year ended 31 December 2013 with the exception of the Board changes referenced above.

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

Mark Selway
Chief Executive
31 July 2014

INDEPENDENT REVIEW REPORT TO IMI plc

Introduction

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 2014 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Statement of Changes in Equity, the Condensed Consolidated Interim Statement of Cash Flows and notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
31 July 2014

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	**6 months to 30 June 2014 (unaudited)**			Restated (Note 1) 6 months to 30 June 2013 (unaudited)			Year to 31 Dec 2013		
		Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2	**809**	**(1)**	**808**	831	1	832	1,744	(1)	1,743
Segmental operating profit	2	**137.2**		**137.2**	146.1		146.1	321.6		321.6
Reversal of net economic hedge contract gains			**(2.3)**	**(2.3)**		(2.8)	(2.8)		(5.1)	(5.1)
Restructuring costs		**(1.5)**	**-**	**(1.5)**		(1.8)	(1.8)		(14.2)	(14.2)
Impairment losses			**(11.9)**	**(11.9)**		-	-		-	-
Preparatory costs for sale of Retail Dispense businesses			**-**	**-**		-	-		(8.0)	(8.0)
Acquired intangible amortisation			**(8.5)**	**(8.5)**		(12.3)	(12.3)		(21.9)	(21.9)
Other acquisition-related costs			**(0.4)**	**(0.4)**		-	-		(1.9)	(1.9)
Operating profit	2	**135.7**	**(23.1)**	**112.6**	146.1	(16.9)	129.2	321.6	(51.1)	270.5
Financial income	6	**1.9**	**6.0**	**7.9**	2.1	11.9	14.0	4.2	20.2	24.4
Financial expense	6	**(9.2)**	**(3.9)**	**(13.1)**	(10.3)	(11.5)	(21.8)	(20.2)	(17.5)	(37.7)
Net finance expense relating to defined benefit pension schemes	6	**(1.6)**		**(1.6)**	(4.0)		(4.0)	(7.9)		(7.9)
Net financial (expense)/income	6	**(8.9)**	**2.1**	**(6.8)**	(12.2)	0.4	(11.8)	(23.9)	2.7	(21.2)
Profit before tax		**126.8**	**(21.0)**	**105.8**	133.9	(16.5)	117.4	297.7	(48.4)	249.3
Taxation	7	**(27.9)**	**6.5**	**(21.4)**	(31.2)	4.4	(26.8)	(65.5)	9.8	(55.7)
Profit from continuing operations after tax		**98.9**	**(14.5)**	**84.4**	102.7	(12.1)	90.6	232.2	(38.6)	193.6
Profit from discontinued operations net of tax	3		**477.6**	**477.6**		22.2	22.2		33.4	33.4
Total profit for the period		**98.9**	**463.1**	**562.0**	102.7	10.1	112.8	232.2	(5.2)	227.0
Attributable to:										
Owners of the parent				**560.6**			111.2			223.9
Non-controlling interests				**1.4**			1.6			3.1
Profit for the period				**562.0**			112.8			227.0

Earnings per share	10			
Basic - from profit for the period		**200.6p**	34.9p	71.0p
Diluted - from profit for the period		**198.5p**	34.5p	70.1p
Basic - from continuing operations		**29.7p**	28.0p	60.4p
Diluted - from continuing operations		**29.4p**	27.6p	59.6p
Basic - from adjusted profit for the period		**34.9p**	31.8p	72.6p
Diluted - from adjusted profit for the period		**34.5p**	31.3p	71.7p

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2014 (unaudited)		6 months to 30 June 2013 (unaudited)		Year to 31 Dec 2013	
	£m	**£m**	£m	£m	£m	£m
Profit for the period		**562.0**		112.8		227.0
Other comprehensive income/(loss)						
Items reclassified to profit or loss in the current period:						
Foreign exchange gain reclassified to income statement on disposal of operations	**(3.9)**		-		-	
Realised gain on settlement of deal-contingent forward relating to disposal proceeds reclassified to income statement	**(11.2)**		-		-	
Related tax effect on items reclassified to profit and loss	**2.4**		-		-	
		(12.7)		-		-
Items that may subsequently be reclassified to profit or loss:						
Change in fair value of effective net investment hedge derivatives	**(4.0)**		(1.8)		3.4	
Exchange differences on translation of foreign operations net of hedge settlements and funding revaluations	**-**		6.5		(16.9)	
Change in fair value of deal-contingent forward relating to disposal proceeds	**(3.0)**		-		14.2	
Fair value gain/(loss) on available for sale financial assets	**0.7**		(0.3)		(0.5)	
Related tax effect on items that may subsequently be reclassified to profit and loss	**1.1**		1.7		(2.5)	
		(5.2)		6.1		(2.3)
Total items recyclable to profit or loss:		**(17.9)**		6.1		(2.3)
Items that will not subsequently be reclassified to profit or loss:						
Re-measurement (loss)/gain on defined benefit plans	**(12.3)**		55.6		41.4	
Related tax effect	**3.7**		(14.0)		(11.4)	
Effect of rate change on previously recognised items	**-**		-		(9.9)	
		(8.6)		41.6		20.1
Other comprehensive (loss)/income for the period, net of tax		**(26.5)**		47.7		17.8
Total comprehensive income for the period, net of tax		**535.5**		160.5		244.8
Attributable to:						
Owners of the parent		**534.1**		158.9		241.7
Non-controlling interests		**1.4**		1.6		3.1
Total comprehensive income for the period, net of tax		**535.5**		160.5		244.8

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	30 June 2014 (unaudited) £m	Restated (Note 1) 30 June 2013 (unaudited) £m	Restated (Note 1) 31 Dec 2013 £m
Assets				
Intangible assets		**396.5**	490.5	430.3
Property, plant and equipment		**215.2**	245.9	222.8
Employee benefit assets		**-**	0.1	0.3
Deferred tax assets		**44.0**	51.7	43.9
Other receivables		**5.0**	6.6	6.3
Other financial assets		**-**	1.1	0.2
Total non-current assets		**660.7**	795.9	703.8
Inventories		**275.7**	342.4	245.5
Trade and other receivables		**359.9**	424.6	345.3
Other current financial assets		**4.5**	4.9	22.2
Current tax		**2.4**	13.0	3.4
Investments		**19.6**	20.8	20.2
Cash and cash equivalents		**56.7**	115.0	71.7
Total current assets		**718.8**	920.7	708.3
Assets in disposal group held for sale	5	**-**	101.0	289.4
Total assets		**1,379.5**	1,817.6	1,701.5
Liabilities				
Bank overdraft		**(4.2)**	(4.1)	(7.9)
Interest-bearing loans and borrowings		**(84.4)**	(2.0)	(80.8)
Provisions		**(23.3)**	(16.4)	(20.1)
Current tax		**(47.8)**	(38.5)	(52.9)
Trade and other payables		**(367.8)**	(435.7)	(355.6)
Other current financial liabilities		**(1.9)**	(6.4)	(3.1)
Total current liabilities		**(529.4)**	(503.1)	(520.4)
Liabilities associated with disposal group held for sale	5	**-**	(29.2)	(77.3)
Interest-bearing loans and borrowings		**(199.9)**	(319.4)	(208.9)
Employee benefit obligations	16	**(105.2)**	(183.3)	(158.2)
Provisions		**(15.2)**	(18.8)	(18.8)
Deferred tax liabilities		**(26.6)**	(35.1)	(34.3)
Other payables		**(32.4)**	(14.3)	(36.1)
Total non-current liabilities		**(379.3)**	(570.9)	(456.3)
Total liabilities		**(908.7)**	(1,103.2)	(1,054.0)
Net assets		**470.8**	714.4	647.5
Equity				
Share capital	15	**81.6**	85.2	85.3
Share premium		**9.6**	170.5	171.8
Other reserves		**191.8**	51.9	43.6
Retained earnings		**142.0**	359.4	300.2
Equity attributable to owners of the parent		**425.0**	667.0	600.9
Non-controlling interests	11	**45.8**	47.4	46.6
Total equity		**470.8**	714.4	647.5

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interests £m	Total equity £m
As at 1 January 2014	85.3	171.8	7.9	19.0	16.7	300.2	600.9	46.6	647.5
Profit for the period						560.6	560.6	1.4	562.0
Other comprehensive income				(14.4)	(3.9)	(8.2)	(26.5)	-	(26.5)
Total comprehensive income				(14.4)	(3.9)	552.4	534.1	1.4	535.5
Issue of share capital	-	0.6					0.6		0.6
Issue of 'B' shares - capital option	151.9	(151.9)					-		-
Issue of 'C' shares - income option	10.9	(10.9)					-		-
Redemption of 'B' and 'C' shares	(162.8)		162.8			(162.8)	(162.8)		(162.8)
Cancellation of treasury shares	(3.7)		3.7				-		-
Dividends paid on 'C' shares						(457.5)	(457.5)		(457.5)
Dividends paid on ordinary shares						(60.6)	(60.6)		(60.6)
Share-based payments (net of tax)						1.3	1.3		1.3
Shares acquired for employee share scheme trust						(31.0)	(31.0)		(31.0)
Income earned by partnership								(2.2)	(2.2)
As at 30 June 2014	**81.6**	**9.6**	**174.4**	**4.6**	**12.8**	**142.0**	**425.0**	**45.8**	**470.8**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interests £m	Total equity £m
As at 1 January 2013	85.2	170.3	7.9	5.1	32.6	334.4	635.5	48.0	683.5
Profit for the period						111.2	111.2	1.6	112.8
Other comprehensive income				(1.4)	7.7	41.4	47.7	-	47.7
Total comprehensive income				(1.4)	7.7	152.6	158.9	1.6	160.5
Issue of share capital	-	0.2					0.2		0.2
Dividends paid on ordinary shares						(66.0)	(66.0)		(66.0)
Share-based payments (net of tax)						7.6	7.6		7.6
Shares acquired for:									
employee share scheme trust						(1.1)	(1.1)		(1.1)
share buyback programme						(68.1)	(68.1)		(68.1)
Income earned by partnership								(2.2)	(2.2)
As at 30 June 2013	85.2	170.5	7.9	3.7	40.3	359.4	667.0	47.4	714.4

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interests £m	Total equity £m
As at 1 January 2013	85.2	170.3	7.9	5.1	32.6	334.4	635.5	48.0	683.5
Profit for the year						223.9	223.9	3.1	227.0
Other comprehensive income				13.9	(15.9)	19.8	17.8	-	17.8
Total comprehensive income				13.9	(15.9)	243.7	241.7	3.1	244.8
Issue of share capital	0.1	1.5					1.6		1.6
Dividends paid on ordinary shares						(106.2)	(106.2)	(0.1)	(106.3)
Share-based payments (net of tax)						16.8	16.8		16.8
Shares acquired for:									
employee share scheme trust						(24.2)	(24.2)		(24.2)
share buyback programme						(164.3)	(164.3)		(164.3)
Income earned by partnership								(4.4)	(4.4)
As at 31 December 2013	85.3	171.8	7.9	19.0	16.7	300.2	600.9	46.6	647.5

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 months to 30 June 2014 (unaudited)	Restated 6 months to 30 June 2013 (unaudited)	Year to 31 Dec 2013
	£m	£m	£m
Cash flows from operating activities			
Operating profit for the year from continuing operations	**112.6**	129.2	270.5
Operating profit for the year from discontinued operations	**-**	33.0	73.0
Adjustments for:			
Depreciation	**16.6**	19.8	37.9
Impairment/(reversal of impairment) of PPE and intangible assets	**15.0**	(0.5)	1.3
Amortisation of intangible assets	**10.8**	15.3	28.4
Loss/(profit) on sale of property, plant and equipment	**0.2**	(0.8)	0.8
Equity-settled share-based payment expenses	**0.9**	4.9	11.2
(Increase)/decrease in inventories	**(39.5)**	(39.5)	1.4
Increase in trade and other receivables	**(26.2)**	(27.1)	(10.0)
Increase/(decrease) in trade and other payables	**20.5**	15.0	(17.0)
Decrease in provisions and employee benefits	**(12.5)**	(6.3)	(1.2)
Cash generated from the operations	**98.4**	143.0	396.3
Income taxes paid	**(27.7)**	(21.3)	(41.7)
	70.7	121.7	354.6
Additional pension scheme funding - UK	**(53.2)**	-	(33.6)
Additional pension scheme funding - Overseas	**-**	-	(1.7)
Net cash from operating activities	**17.5**	121.7	319.3
Cash flows from investing activities			
Interest received	**1.9**	2.7	4.4
Proceeds from sale of property, plant and equipment	**0.7**	1.2	2.3
Sale/(purchase) of investments	**0.5**	0.4	(0.3)
Settlement of transactional derivatives	**1.5**	2.9	3.8
Settlement of currency derivatives hedging balance sheet	**21.7**	(18.3)	(6.0)
Acquisitions of controlling interests	**-**	-	(7.8)
Acquisition of property, plant and equipment	**(18.2)**	(16.7)	(44.3)
Net cash flow arising on disposal of discontinued operations	**689.1**	-	-
Net cash disposed on disposal of discontinued operations	**(26.5)**	-	-
Capitalised non-acquired intangibles	**(4.7)**	(3.5)	(9.1)
Net cash inflow/(outflow) from investing activities	**666.0**	(31.3)	(57.0)
Cash flows from financing activities			
Interest paid	**(9.2)**	(10.3)	(20.4)
Payment to non-controlling interest	**(2.2)**	(2.2)	(4.4)
Shares acquired for employee share scheme trust	**(31.0)**	(1.1)	(24.2)
Share buyback programme including acquisition expenses	**-**	(68.1)	(164.3)
Proceeds from the issue of share capital for employee share schemes	**0.6**	0.2	1.6
Net drawdown of borrowings	**2.5**	66.9	51.0
Dividends paid to non-controlling interests	**-**	-	(0.1)
Dividends paid to equity shareholders	**(60.6)**	(66.0)	(106.2)
Return of cash to equity shareholders	**(620.3)**	-	-
Net cash outflow from financing activities	**(720.2)**	(80.6)	(267.0)
Net (decrease)/increase in cash and cash equivalents	**(36.7)**	9.8	(4.7)
Cash and cash equivalents at the start of the year	**90.3**	96.5	96.5
Effect of exchange rate fluctuations on cash held	**(1.1)**	3.4	(1.5)
Cash and cash equivalents at the end of the period*	**52.5**	109.7	90.3

* Net of bank overdrafts of £4.2m (31 December 2013: £9.6m; 30 June 2013: £5.5m).
Cash and cash equivalents at 31 December 2013 includes £26.5m (30 June 2013: £1.2m overdraft) in respect of assets held for sale.

Reconciliation of net (decrease)/increase in cash to movement in net debt appears in note 13.

Cash flows from discontinued operations are disclosed in note 3.

1. Significant accounting policies

Basis of preparation

This condensed set of financial statements has been prepared in accordance with IAS34 '*Interim Financial Reporting'* as adopted by the EU. The Group's annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in the preparation of the condensed financial statements.

This Interim Financial Report is unaudited, but has been reviewed by the Company's auditor having regard to the International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board. A copy of their unqualified review opinion is attached.

The comparative figures for the financial year ended 31 December 2013 are derived from the Company's statutory accounts for that financial year as defined in section 435 of the Companies Act 2006, revised for the restatements noted below. Those accounts have been reported on by the Company's auditor 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.

This Interim Financial Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to IMI plc and its subsidiaries when viewed as a whole.

Accounting policies

As required by the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, this condensed set of financial statements has been prepared applying the same accounting policies and computation methods that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2013, other than those noted below. Noted below are the new and amended International Financial Reporting Standards which became effective as of 1 January 2014, none of which has any impact on this Interim Financial Report:

- IAS36 *'Impairment of Assets'*
- IAS32 *'Financial Instruments: Presentation'*
- IAS39 *'Financial Instruments: Recognition and Measurement'*
- IFRIC12 *'Levies'*

Restatement in respect of the treatment of the Retail Dispense businesses as discontinued operations and other payables

The sale of the Retail Dispense businesses, completed on 1 January 2014, represents the disposal of a 'major class of business' for the Group, as reported at the 31 December 2013 year-end. Accordingly, the 2013 half-year results have been restated such that the results of these businesses are now reported in one line, net of tax, below profit before tax. A full analysis of the financial effect of this restatement is given in note 2 and note 3.

The Group pays taxes in various countries which requires the interpretation of complex tax laws in these jurisdictions. Accordingly, both the amounts expected to be payable and the period in which settlement is likely to be made are reassessed from time to time. During the current year, the Group performed a review of its disclosure of the related tax liabilities, including when payment was due, and has determined that amounts previously classified within other payables - non current liabilities of £34.5m at 31 December 2013 (30 June 2013: £32.6m) would be more appropriately included in current tax. Comparatives have been reclassified to reflect this change in presentation.

2. Segmental information

Segmental information is presented in the 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 is presented to the chief operating decision-maker, being the Executive Committee. Inter-segment revenue is insignificant. The Group comprised the following five operating segments and activities, but as discussed earlier in these Interim Financial Statements, the Retail Dispense businesses were disposed of on 1 January 2014. Consequently the comparative results have been restated to show these businesses as discontinued operations in the Income Statement, while their assets and liabilities have been disposed of in the current period.

Continuing operations

IMI Critical Engineering

The IMI Critical Engineering division (previously Severe Service) is a world leading provider of highly-engineered flow control solutions for critical applications that are able to withstand temperature and pressure extremes and intensely abrasive and corrosive cyclical operations.

IMI Precision Engineering

The IMI Precision Engineering division (previously Fluid Power) specialises in developing motion and fluid control technologies for applications where precision, speed and reliability are essential.

IMI Hydronic Engineering

The IMI Hydronic Engineering division (previously Indoor Climate) designs and manufactures technologies which deliver optimal and energy efficient heating and cooling systems inside buildings.

Retail Dispense – discontinued operations

Beverage Dispense

Design, manufacture and supply of still and carbonated beverage dispense systems and associated merchandising equipment for brand owners and retailers.

Merchandising

Design, manufacture and supply of permanent point of purchase display systems for brand owners and retailers.

Performance is measured based on segmental operating profit which is the profit reported by the business, stated before exceptional items and other restructuring costs (see note 8).

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. Segmental operating profits are therefore charged/credited with the impact of these contracts. In accordance with IAS39, these contracts do not meet the technical provisions required for hedge accounting and gains and losses are reversed out of segmental profit and are recorded in net financial income and expense for the purposes of the consolidated Income Statement.

	Revenue			Profit			Segmental operating margin		
	6 months to 30 June 2014	Restated 6 months to 30 June 2013	Year to 31 Dec 2013	**6 months to 30 June 2014**	Restated 6 months to 30 June 2013	Year to 31 Dec 2013	**6 months to 30 June 2014**	Restated 6 months to 30 June 2013	Year to 31 Dec 2013
	£m	£m	£m	**£m**	£m	£m	**%**	%	%
Continuing operations									
IMI Critical Engineering	***315***	*322*	*716*	***50.8***	*49.0*	*116.8*	***16.1***	*15.2*	*16.3*
IMI Precision Engineering	***355***	*363*	*723*	***63.0***	*69.4*	*140.5*	***17.7***	*19.1*	*19.4*
IMI Hydronic Engineering	***139***	*146*	*305*	***23.4***	*27.7*	*64.3*	***16.8***	*19.0*	*21.1*
Total continuing segmental revenue/ operating profit/operating margin	***809***	*831*	*1,744*	***137.2***	*146.1*	*321.6*	***17.0***	*17.6*	*18.4*
Reversal of net economic hedge gains	***(1)***	*1*	*(1)*	***(2.3)***	*(2.8)*	*(5.1)*			
Restructuring costs				***(1.5)***	*(1.8)*	*(14.2)*			
Impairment losses				***(11.9)***	-	-			
Preparatory costs for sale of Retail Dispense businesses				**-**	-	*(8.0)*			
Acquired intangible amortisation				***(8.5)***	*(12.3)*	*(21.9)*			
Other acquisition-related costs				***(0.4)***	-	*(1.9)*			
Total revenue/operating profit	***808***	*832*	*1,743*	***112.6***	*129.2*	*270.5*			
Net financial expense				***(6.8)***	*(11.8)*	*(21.2)*			
Profit before tax				***105.8***	*117.4*	*249.3*			
Retail Dispense - discontinued operations									
Beverage Dispense	**-**	*172*	*337*	**-**	*24.9*	*51.2*		*14.5*	*15.2*
Merchandising	**-**	*83*	*174*	**-**	*11.6*	*29.8*		*14.0*	*17.1*
Total Group segmental revenue/ operating profit/operating margin	***809***	1,086	2,255	**137.2**	182.6	402.6	**17.0**	*16.8*	*17.9*

2. Segmental information (continued)

	Restructuring costs		
	Underlying	Exceptional*	Exceptional*
	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 Dec 2013
	£m	£m	£m
Continuing operations	**1.5**	1.8	14.2
IMI Critical Engineering	***0.3***	*1.2*	*2.1*
IMI Precision Engineering	***1.0***	*0.1*	*8.8*
IMI Hydronic Engineering	***0.2***	*0.5*	*3.3*
Retail Dispense - discontinued operations	**-**	3.5	3.0
Beverage Dispense	***-***	*1.8*	*1.7*
Merchandising	***-***	*1.7*	*1.3*
Total Group	**1.5**	5.3	17.2

* There were no underlying restructuring costs in 2013.

Balance Sheet

	Total Assets		Total Liabilities	
	6 months to 30 June 2014	Year to 31 Dec 2013	**6 months to 30 June 2014**	Year to 31 Dec 2013
	£m	£m	**£m**	£m
Continuing operations	**1,242.0**	1,239.4	**347.8**	342.7
IMI Critical Engineering	***650.4***	*642.4*	***205.2***	*187.3*
IMI Precision Engineering	***422.2***	*434.6*	***93.5***	*102.9*
IMI Hydronic Engineering	***169.4***	*162.4*	***49.1***	*52.5*
Retail Dispense - classified as held for sale in 2013	**-**	257.1	**-**	61.6
Beverage Dispense	***-***	*158.4*	***-***	*37.3*
Merchandising	***-***	*98.7*	***-***	*24.3*
Total Segmental assets	**1,242.0**	1,496.5	**347.8**	404.3
Corporate items	**14.8**	32.4	**80.4**	79.8
Employee benefits	**-**	0.3	**105.2**	159.0
Investments	**19.6**	20.3	**-**	-
Net debt items	**56.7**	99.9	**288.5**	299.3
Net taxation and others	**46.4**	52.1	**86.8**	111.6
Total reported in the Group balance sheet	**1,379.5**	1,701.5	**908.7**	1,054.0

3. Discontinued Operations

On 15 October 2013, the Board approved the sale of the Retail Dispense businesses, which subsequently completed on 1 January 2014. The disposal group represented a major class of business as defined by IFRS5 *'Non-Current assets held for sale and discontinued operations'* and it was determined that this disposal group met the criteria to be disclosed as a discontinued operation in the Income Statement.

The disposal proceeds have been used to return £620.3m of cash to shareholders and invest £70.0m into the UK Pension Fund.

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Revenue	**-**	255	511
Depreciation	**-**	(2.6)	(3.9)
Amortisation	**-**	(0.8)	(1.3)
Other operating expenses	**-**	(215.1)	(424.8)
Segmental operating profit	**-**	36.5	81.0
Restructuring costs	**-**	(3.5)	(3.0)
Gain on disposal of operations	**481.0**	-	-
Operating profit	**481.0**	33.0	78.0
Financial income	**-**	0.1	0.2
Financial expense	**-**	(0.2)	(0.4)
Net finance expense related to benefit pension schemes	**-**	(0.2)	(0.4)
Profit before tax	**481.0**	32.7	77.4
Taxation	**(3.4)**	(10.5)	(39.0)
Profit after tax	**477.6**	22.2	38.4

The results of the Retail Dispense businesses and the associated profit on disposal are presented above, in addition to which, pre-tax and post-tax costs of £5.0m relating to other discontinued operations have also been included in this line in the Income Statement for the year to 31 December 2013.

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Net cash flows from discontinued operations			
Operating	**-**	12.1	53.8
Investing	**662.6**	(2.8)	(8.1)
Financing	**-**	(0.2)	(0.4)
Net cash inflow	**662.6**	9.1	45.3

4. Disposal of Retail Dispense businesses

The disposal of the Retail Dispense businesses occurred on 1 January 2014. Details of the disposal are as follows:

	1 January 2014 £m
Sale consideration	**691.2**
Net assets disposed	(205.0)
Intercompany loans not settled on completion	3.8
Costs of disposal	(12.9)
Foreign exchange gain transferred on disposal of operations	3.9
Taxation	(3.4)
Gain on disposal	**477.6**
Segmental assets	
Intangible assets	114.1
Property, plant and equipment	25.1
Inventories	50.8
Trade and other receivables	67.1
Total segmental assets	**257.1**
Non-segmental assets	
Current tax	0.2
Deferred tax	3.8
Cash and cash equivalents	28.2
Investments	0.1
Total assets	**289.4**
Segmental liabilities	
Trade and other payables	(56.2)
Provisions	(5.4)
Total segmental liabilities	**(61.6)**
Non-segmental liabilities	
Current tax	(3.2)
Deferred tax	(10.0)
Bank overdraft	(1.7)
Employee benefit obligations	(7.9)
Total liabilities	**(84.4)**
Net assets disposed	**205.0**

Movements between the net assets held for sale at the year-end and the eventual assets disposed principally represent a minor change in the completion mechanism relating to the employee benefit obligations disposed of, which increased by £7.1m to £7.9m. This resulted in a gain of £2.8m, which is included within the gain on disposal.

Net cash flow arising on disposal

Cash consideration at spot rate	**680.0**
Settlement of deal-contingent forward*	**11.2**
Sale consideration	**691.2**
Cost of deal-contingent forward*	**(3.0)**
Costs of disposal	**(2.9)**
Intercompany loans settled following completion	**3.8**
Net cash flow arising on disposal of operations as per the cash flow	**689.1**
Net cash disposed on disposal of operations	**(26.5)**

* As at 31 December 2013 the deal-contingent forward used to manage the sterling-US dollar exposure on the consideration was valued at £11.2m. The net gain on settlement of this contract was £8.2m which is net of the £3.0m option premium.

5. Assets held for sale

At 30 June 2013, net assets held for sale comprised the Artform and DCI Marketing companies as an active programme to identify potential purchases had begun and thus the criteria to designate these operations as held for sale had been met.

At 31 December 2013, the Retail Dispense businesses as a whole (including the Artform and DCI Marketing companies) were classified as held for sale following an agreement for the sale of these businesses to the Marmon Group, a Berkshire Hathaway Company, on 15 October 2013. The sale of the Retail Dispense businesses was completed on 1 January 2014, details of which are provided in notes 3 and 4.

6. Net financial income and expense

	6 months to 30 June 2014			Restated 6 months to 30 June 2013			Year to 31 Dec 2013		
Recognised in the income statement	**Interest**	**Financial instruments**	**Total**	Interest	Financial instruments	Total	Interest	Financial instruments	Total
Interest income on bank deposits	**1.9**		**1.9**	2.1		2.1	4.2		4.2
Financial instruments at fair value through profit or loss:									
Designated hedges		**0.5**	**0.5**		0.6	0.6		1.3	1.3
Other economic hedges									
- current period trading		**3.1**	**3.1**		7.5	7.5		12.9	12.9
- future period transactions		**2.4**	**2.4**		3.8	3.8		6.0	6.0
Financial income	**1.9**	**6.0**	**7.9**	2.1	11.9	14.0	4.2	20.2	24.4
Interest expense on interest-bearing loans and borrowings	**(9.2)**		**(9.2)**	(10.3)		(10.3)	(20.2)		(20.2)
Financial instruments at fair value through profit or loss:									
Designated hedges		**(0.5)**	**(0.5)**		(0.6)	(0.6)		(1.3)	(1.3)
Other economic hedges									
- current period trading		**(1.7)**	**(1.7)**		(4.3)	(4.3)		(9.4)	(9.4)
- future period transactions		**(1.7)**	**(1.7)**		(6.6)	(6.6)		(6.8)	(6.8)
Financial expense	**(9.2)**	**(3.9)**	**(13.1)**	(10.3)	(11.5)	(21.8)	(20.2)	(17.5)	(37.7)
Net finance expense relating to defined benefit pension schemes	**(1.6)**		**(1.6)**	(4.0)		(4.0)	(7.9)		(7.9)
Net financial (expense)/income	**(8.9)**	**2.1**	**(6.8)**	(12.2)	0.4	(11.8)	(23.9)	2.7	(21.2)

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

7. Taxation

The tax charge before exceptional items is £27.9m which equates to an effective tax rate of 22.0% compared to 23.3% (restated from 25.0%) for the comparative six month period in the prior year.

8. Exceptional items

Exceptional items are disclosed separately on the face of the Income Statement and added back in arriving at adjusted earnings when their quantum, one-off nature or volatility would otherwise distort the Group's underlying trading performance. The effect of the items added back to adjusted earnings is disclosed in note 10. The following items are considered to be exceptional in these financial statements:

	Key	**6 months to 30 June 2014**	6 months to 30 June 2013	Year to 31 Dec 2013
Recognised in arriving at operating profit from continuing operations				
Reversal of net economic hedge contract gains	(a)	**(2.3)**	(2.8)	(5.1)
Restructuring costs	(b)	**-**	(1.8)	(14.2)
Impairment losses	(c)	**(11.9)**	-	-
Preparatory costs for sale of Retail Dispense businesses	(d)	**-**	-	(8.0)
Acquired intangible amortisation		**(8.5)**	(12.3)	(21.9)
Other acquisition-related costs	(e)	**(0.4)**	-	(1.9)
Recognised in financial income/(expense)				
Financial income	(a)	**6.0**	11.9	20.2
Financial expense	(a)	**(3.9)**	(11.5)	(17.5)

(a) For segmental reporting purposes, changes in the fair value of economic hedges which are not designated hedges for accounting purposes, together with the gains and losses on their settlements, are included in the segmental revenues and operating profit of the relevant business segment. The operating exceptional item reverses the effect of this treatment. The financing exceptional items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

(b) The restructuring costs arising in the first half of £1.5m have been reported internally outside of segmental operating profit and included in the underlying operating profit as, based on their quantum, they do not meet our definition of an exceptional item.

(c) During the first half of the year, as a result of reduced expectations with regard to the future performance of Analytical Flow Products ('AFP'), the Group carried out a review of the recoverable amount of the business. This included a reassessment of the amounts to be paid based on the business's performance in the three to five years following the acquisition. This review led to the recognition of a net impairment loss of £10.8m offset by a deferred tax credit of £3.8m. These items have been recognised in the income statement as exceptional items.

An additional exceptional impairment loss was recognised in respect of property, plant and equipment for IMI Components in the first half of the year of £1.1m.

(d) Exceptional items in relation to discontinued operations are disclosed in note 3.

(e) Other acquisition-related costs in the first half relate to deferred remuneration included within the post-employment contracts of the vendors for the AFP and NPSL acquisitions.

9. Acquisitions in previous period

Analytical Flow Products ('AFP')

Following the acquisition of AFP on 21 August 2013, at 31 December 2013 the contingent consideration, identifiable net assets and resulting goodwill were considered provisional. As a result of the impairment loss recorded at 30 June 2014 (see note 8), these acquisition balances are now considered to be final.

Nano-Porous Solutions Limited ('NPSL')

On 29 October 2013 the Group acquired NPSL for a total purchase consideration of £6.1m. Total identifiable net assets were £4.2m, resulting in goodwill of £1.9m. These amounts were deemed provisional at 31 December 2013. During the first half of 2014, these provisional amounts were finalised with no adjustment to the fair values of the assets and liabilities acquired.

10. Earnings per ordinary share

Basic and diluted earnings per share have been calculated on earnings of £562.0m (2013: £112.8m). The directors consider that adjusted earnings per share figures, using earnings attributable to the owners of the parent as calculated below, give a more meaningful indication of the underlying performance because either the quantum, the one-off nature, or volatility of these items would otherwise distort the underlying performance. The period to 30 June 2013 has been restated as the results of the Retail Dispense businesses have been classified as discontinued operations.

	Key	**30 June 2014 million**	Restated 30 June 2013 million	31 Dec 2013 million
Weighted average number of shares for the purpose of basic earnings per share	A	279.4	318.4	315.5
Dilutive effect of employee share options		3.0	4.2	4.0
Weighted average number of shares for the purpose of diluted earnings per share	B	282.4	322.6	319.5

	Key	**6 months to 30 June 2014 £m**	6 months to 30 June 2013 £m	Year to 31 Dec 2013 £m
Profit for the period		**562.0**	112.8	227.0
Non-controlling interests		**(1.4)**	(1.6)	(3.1)
Profit for the period attributable to owners of the parent	C	**560.6**	111.2	223.9
Profit from discontinued operations, net of tax		**(477.6)**	(22.2)	(33.4)
Continuing profit for the period attributable to owners of the parent	D	**83.0**	89.0	190.5
Total exceptional charges included in profit for the period		**21.0**	16.5	48.4
Taxation on exceptional charges included in profit for the period		**(6.5)**	(4.4)	(9.8)
Earnings for adjusted EPS	E	**97.5**	101.1	229.1
Profit for the period attributable to owners of the parent as previously reported	F		111.2	
Total exceptional charges included in profit for the period			20.0	
Taxation on exceptional charges included in profit for the period			(5.2)	
Earnings for adjusted EPS as previously reported	G		126.0	

EPS measures as restated				
Basic EPS	C/A	200.6p	34.9p	71.0p
Diluted EPS	C/B	198.5p	34.5p	70.1p
Basic continuing EPS	D/A	29.7p	28.0p	60.4p
Diluted continuing EPS	D/B	29.4p	27.6p	59.6p
Adjusted basic continuing EPS	E/A	34.9p	31.8p	72.6p
Adjusted diluted continuing EPS	E/B	34.5p	31.3p	71.7p

EPS measures as previously reported:				
Basic EPS	F/A		34.9p	
Diluted EPS	F/B		34.5p	
Adjusted basic EPS	G/A		39.6p	
Adjusted diluted EPS	G/B		39.1p	

Basic discontinued earnings per share were 170.9p (2013 half-year: 7.0p; 2013 year-end: 10.6p). Diluted discontinued earnings per share were 169.1p (2013 half-year: 6.9p; 2013 year-end: 10.5p).

11. Non-controlling interests

	6 months to 30 June 2014			6 months to 30 June 2013			Year to 31 Dec 2013		
	Shanghai CCI £m	**SLP £m**	**Total £m**	**Shanghai CCI £m**	**SLP £m**	**Total £m**	**Shanghai CCI £m**	**SLP £m**	**Total £m**
Opening non-controlling interests	2.7	43.9	46.6	2.6	45.4	48.0	2.6	45.4	48.0
Profit for the year attributable to non-controlling interests	**-**	**1.4**	**1.4**	0.1	1.5	1.6	0.2	2.9	3.1
Dividends paid to non-controlling interests	**-**	**-**	**-**	-	-	-	(0.1)	-	(0.1)
Income earned by partnership	**-**	**(2.2)**	**(2.2)**	-	(2.2)	(2.2)	-	(4.4)	(4.4)
Movement in non-controlling interest	**-**	**(0.8)**	**(0.8)**	0.1	(0.7)	(0.6)	0.1	(1.5)	(1.4)
Closing non-controlling interests	**2.7**	**43.1**	**45.8**	2.7	44.7	47.4	2.7	43.9	46.6

The non-controlling interest denoted Shanghai CCI in the above table represents the 30% ownership interest in the ordinary shares of Shanghai CCI Power Control Equipment Co Limited held by Shanghai Power Station Auxiliary Equipment Works Co Limited.

The non-controlling interest denoted SLP relates to an interest in the IMI Scottish Limited Partnership, presently held by the IMI Pension Fund ('the Fund'), which provides the Fund with a conditional entitlement to receive income of £4.4m per annum, unless the Group has not paid a dividend in the prior year or the Fund is fully funded.

12. Dividend

The final dividend relating to the year ended 31 December 2013 of 22.5p per share was paid in May 2014 amounting to £60.6m (2013: £66.0m).

In addition, the directors have declared an interim dividend for the current year of 13.6p per share (2013: 12.8p) which will be paid on 19 September 2014 to shareholders on the register on 15 August 2014. In accordance with IAS10 '*Events after the Balance Sheet Date*' this interim dividend has not been reflected in these Interim Financial Statements.

13. Cash flow reconciliation

Reconciliation of net (decrease)/increase in cash to movement in net debt

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 Dec 2013 £m
Net (decrease)/increase in cash and cash equivalents	**(36.7)**	9.8	(4.7)
Drawdown of borrowings	**(2.5)**	(66.9)	(51.0)
Net debt increase from cash flow	**(39.2)**	(57.1)	(55.7)
Borrowings acquired	**-**	-	(2.5)
Currency translation differences	**6.8**	(10.8)	2.6
Movement in net debt in the period	**(32.4)**	(67.9)	(55.6)
Net debt at the start of the period	**(199.4)**	(143.8)	(143.8)
Net debt at the end of the period*	**(231.8)**	(211.7)	(199.4)
Total currency effect on the net debt movement including currency balance sheet derivatives settlements	**28.5**	(29.1)	(3.4)

* Net debt at 31 December 2013 includes £26.5m of cash and cash equivalents (30 June 2013: £1.2m overdraft) in respect of assets held for sale.

14. Fair value hierarchy

Set out below is an overview of the Group's financial instruments held at fair value.

	30 June 2014				31 December 2013			
	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	**17.6**			**17.6**	17.8			17.8
Cash and cash equivalents	**56.7**			**56.7**	99.9			99.9
Interest rate swaps		**0.2**		**0.2**		0.8		0.8
Foreign currency forward contracts		**4.3**		**4.3**		21.6		21.6
	74.3	**4.5**	**-**	**78.8**	117.7	22.4	-	140.1
Financial liabilities measured at fair value								
Bank overdrafts	**(4.2)**			**(4.2)**	(9.6)			(9.6)
Debt instruments		**(17.8)**		**(17.8)**		(19.0)		(19.0)
Foreign currency forward contracts		**(1.9)**		**(1.9)**		(3.1)		(3.1)
Deferred consideration and remuneration			**(6.6)**	**(6.6)**			(9.6)	(9.6)
	(4.2)	**(19.7)**	**(6.6)**	**(30.5)**	(9.6)	(22.1)	(9.6)	(41.3)

Level 1 - quoted prices in active markets for identical assets/liabilities

Level 2 - significant other observable inputs

Level 3 - unobservable inputs

Valuation techniques for level 2 inputs

Long-term borrowings subject to hedging arrangements of £17.8m and derivative assets and liabilities of £4.5m and £1.9m 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.

The fair values of all financial assets and liabilities in the Balance Sheet as at 30 June 2014, 31 December 2013 and 30 June 2013 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 2014	**217.7**	**250.4**
31 December 2013	225.1	254.1
30 June 2013	222.2	255.9

14. Fair value hierarchy (continued)

Valuation techniques for level 3 inputs

Contingent consideration of £5.3m (31 December 2013: £8.7m) and amounts payable to employees of £1.3m (31 December 2013: £0.9m) have been measured at fair value using significant unobservable (level 3) inputs. These amounts arose from the earn-out agreements relating to the acquisitions of AFP and NPSL. Their fair values have been derived using a calculation which compares the expected performance of the AFP and NPSL businesses in their most recent forecasts with the target performances set out in the legal agreements for the acquisitions. The net reduction in the fair value of the amount payable of £2.7m has been credited to the income statement as an exceptional item. The deferred consideration and remuneration relating to the AFP acquisition has been revalued at the Canadian Dollar spot rate of CAD$1.83 : £1 as at 30 June 2014.

Contingent consideration and remuneration reconciliation

	£m
As at 1 January 2014	9.6
Arising in the year	**(2.7)**
Exchange gain	**(0.3)**
As at 30 June 2014	**6.6**

15. Share capital

	Ordinary shares	Ordinary shares	'B' Shares	'C' Shares	Deferred shares	
	25p per share	28 4/7p per share	200p per share	0.001p per share	0.001p per share	
	Number (m)	Number (m)	Number (m)	Number (m)	Number (m)	Value (£m)
In issue at the start of the year	341.0	-	-	-	-	85.3
Share cancellations	(14.6)	-	-	-	-	(3.7)
Share consolidation	(326.4)	285.6	-	-	-	-
Issued to satisfy employee share schemes	-	0.1	-	-	-	-
Issue of 'B' shares - Immediate Capital Option	-	-	75.9	-	-	151.9
Issue of 'B' shares - Deferred Capital Option	-	-	5.5	-	-	10.9
Redemption of 'B' shares at nominal value	-	-	(81.4)	-	-	(162.8)
Issue of 'C' shares - Income Option	-	-	-	228.7	-	-
Dividend paid on 'C' shares	-	-	-	(228.7)	228.7	-
Cancellation of deferred shares	-	-	-	-	(228.7)	-
In issue at the end of the year	**-**	**285.7**	**-**	**-**	**-**	**81.6**

On 16 January 2014 the company cancelled 14,598,706 ordinary shares that had been held as treasury shares. On 13 February 2014 the company cancelled a further 5 ordinary shares that had been held as treasury shares.

On 17 February 2014, the Group effected the return of cash to shareholders. 75,928,619 'B' shares of 200 pence each were issued under the Immediate Capital Option; 5,475,074 'B' shares of 200 pence each were issued under the Deferred Capital Option; and 228,744,051 'C' shares of 0.001 pence each were issued under the Income Option.

'B' shares for both the Immediate Capital Option and Deferred Capital Option were redeemed at their nominal value of 200 pence per share on 17 February 2014 and 6 April 2014, respectively.

A dividend of 200 pence per share was declared on the 'C' shares, which was paid on 4 March 2014. Following declaration of the dividend the 'C' shares became deferred shares.

On 17 February 2014, a share consolidation was performed whereby the existing ordinary shares of 25 pence per share were replaced by new ordinary shares of 28 4/7 pence per share at a ratio of 7 new shares for 8 existing shares.

On 26 February 2014 the deferred shares were cancelled.

16. Employee Benefits

The net defined pension liability at 30 June 2014 was £105.2m (31 December 2013: £157.9m). The UK deficit decreased by £53.2m in the six month period to £9.9m (31 December 2013: £63.1m). The principal component of this decrease was a £53.2m special contribution following the completion of the sale of the Group's Retail Dispense businesses. The net deficit in respect of the total overseas obligations was £95.3m (31 December 2013: £94.8m).

The triennial valuation of the UK Pension Fund, conducted as at 31 March 2014, is underway. Detailed results are not expected until later this year.

17. 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 2014	6 months to 30 June 2013	Year to 31 Dec 2013	**30 June 2014**	30 June 2013	31 Dec 2013
Euro	**1.22**	1.18	1.18	**1.25**	1.17	1.20
US Dollar	**1.67**	1.54	1.56	**1.71**	1.53	1.65

18. Property, plant and equipment and intangible assets

Capital expenditure of £18.2m in the period includes £17.5m in respect of plant and equipment, and £0.7m in respect of land and buildings. Capitalised non-acquired intangible assets amounted to £4.7m for the period.

19. Financial information

Definitions

References in the commentary to segmental operating profit, operating margins and profit before tax, unless otherwise stated, relate to reported numbers after adjustment for exceptional items as noted on the face of the condensed consolidated interim Income Statement. Segmental operating profit is reported as if economic currency and metals hedges were effective for financial reporting purposes, as discussed in note 2.

References to EPS, unless otherwise stated, relate to reported basic adjusted EPS from continuing operations i.e. after adjustment for the per share after tax impact of exceptional items in note 10. The directors consider that the quantum, one-off nature or volatility of these adjustments can distort the underlying performance of the Group and for this reason the commentary discusses these adjusted amounts.

References to organic growth are to like-for-like or underlying growth and exclude the impact of exchange rate translation and acquisitions or disposals that are included in headline reported growth figures. The organic growth is derived from excluding any contribution from acquired companies to revenues or profits in the current period until the first anniversary of their acquisition. It also excludes the contribution to revenues or profits in both the current and comparative period from any business that has been disposed of or sold. This adjusted growth in revenues or profits will then be compared to the adjusted prior period after its re-translation at the average exchange rates of the current period to provide the organic growth rate.

References to constant currency are to growth after excluding the impact of exchange rate translation and disposals but include the results of acquisitions.

Notes to editors

IMI plc, the specialist engineering company, designs, manufactures and services highly engineered products that control the precise movement of fluids. Its innovative technologies, built around valves and actuators, enable vital processes to operate safely, cleanly, efficiently and cost effectively. The Group works with industrial customers across a range of high growth sectors, including energy, transportation and infrastructure, all of which are benefiting from the impact of long-term global trends including climate change, urbanisation, resource scarcity and an ageing population. IMI employs over 12,000 people, has manufacturing facilities in more than 20 countries and operates a global service network. The Company is listed on the London Stock Exchange and is a member of the FTSE100. Further information is available at www.imiplc.com.