IMI plc
Press release

3 March 2023

Third year of profit and margin improvement

Completed three strategic acquisitions in attractive growth markets

On track for sustainable, profitable growth and Group operating margin of 20%

Preliminary results, year ended 31 December 2022

	Adjusted[1]				Statutory		
	2022	2021	Change	**Organic[3]**	**2022**	2021	Change
Revenue	**£2,049m**	£1,866m	+10%	**+4%**	**£2,049m**	£1,866m	+10%
Operating profit	**£364m**	£318m	+14%	**+8%**	**£298m**	£251m	+19%
Operating margin	**17.8%**	17.0%	+80bps		**14.6%**	13.4%	+120bps
Profit before tax	**£346m**	£307m	+13%		**£285m**	£245m	+17%
Basic EPS	**105.5p**	92.0p	+15%		**87.6p**	73.5p	+19%
Operating cash flow[2]	**£290m**	£274m	+6%		**£336m**	£327m	+3%
Dividend per share	**25.7p**	23.7p	+8%		**25.7p**	23.7p	+8%
Net debt: adjusted EBITDA	**1.8x**	1.5x					

1 Excluding the effect of adjusting items as reported in the income statement. See Note 1 for definitions of alternative performance measures.

2 Adjusted operating cash flow, as described in Note 1 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 1).

Key points

- 10% sales growth, 13% adjusted profit before tax growth
- Adjusted earnings per share 15% higher than 2021
- Adjusted operating margin up 80bps
- Statutory operating margin up 120bps
- Statutory profit before tax increased 17%
- Resilient order book up 14%, order book in IMI Critical Engineering up 18%
- £52m of Growth Hub orders, pipeline growing
- Completed three strategic acquisitions in attractive growth markets
- Record employee engagement scores, improved health & safety
- Proposed final dividend of 17.4p, increased by 10%

Roy Twite, Chief Executive, said:

"We continued to make significant progress in 2022, delivering our third consecutive year of profit and margin growth. Our purpose-led strategy, ***Breakthrough Engineering for a better world***, focuses on solutions that help our customers become safer, more sustainable and more productive. We are aligned to attractive growth markets and have a resilient portfolio that is supported by long-term global macroeconomic trends. This, combined with our continued focus on customer satisfaction, market-led innovation and complexity reduction is creating real value, with all three divisions increasing both revenues and margins in the year. We delivered £52m of Growth Hub orders and completed three acquisitions, each in attractive growth markets and aligned with our strategy."

"We remain confident in delivering sustainable profitable growth and a 20% Group operating margin through the cycle over time. Based on the strong 2022 results and current market conditions we expect 2023 full year adjusted EPS to be around 111p."

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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 next Interim Management Statement on 4 May 2023.

Results overview

IMI delivered another strong financial performance in 2022, generating growth in a challenging environment. Organic revenues increased by 4% and organic adjusted operating profit increased by 8%. All three divisions delivered increased organic revenue and adjusted operating margins in the year. We continue to manage our supply chain well to support our customers. Pricing and efficiencies have offset inflation in the year. Adjusted basic earnings per share increased by 15%.

Dividend

The Board is recommending a 2022 final dividend of 17.4p per share (2021: 15.8p per share), resulting in a proposed final dividend increase of 10%. Payment will be made on 12 May 2023 to shareholders on the register at the close of business on 11 April 2023.

Outlook

Based on current market conditions we expect 2023 full year adjusted basic EPS to be around 111p. This guidance assumes foreign exchange rates will create a tailwind of c. 2% on sales and profits, a net interest charge of £25m and a tax rate of 22%.

We remain confident in delivering sustainable, profitable growth and meeting our Group growth targets and operating margin target of 20% through the cycle over time.

Strategic progress

Our purpose-led strategy ***Breakthrough Engineering for a better world*** continues to accelerate business performance, driving sustainable, profitable growth across the Group. We are focused on serving 'Better World' markets that have sustainable growth characteristics and where our proven engineering expertise can develop solutions for the most acute industry problems.

We serve a number of key sectors, including Industrial Automation, Life Sciences, Transportation, Energy, and Indoor Climate. Industrial Automation benefits from our customers' need to automate in order to improve productivity. Life Sciences remains a high growth area. Regulatory requirements drive our Transportation customers' need for improved emissions and safety solutions. There is strong momentum in our Energy end markets driven by the need for emissions reductions and supply security. Our energy saving solutions support reductions in energy usage and regulatory compliance within Indoor Climate.

We are delivering Value Today through a focus on customer satisfaction and complexity reduction; and Value Tomorrow by developing creative and innovative solutions to the greatest challenges our customers and society face.

Customer satisfaction remains at the heart of our strategy. We continue to invest in our sales and customer service teams and are developing digital tools to improve our service levels. This continued focus is reflected in recent customer satisfaction results, with all three divisions meeting industry leading benchmarks.

We have continued to identify and execute opportunities to reduce complexity and drive more efficient, resilient operations. Our restructuring programmes delivered £13m of benefits in the year. Significant projects are expected to be largely complete in 2024, although the Group will always seek and execute projects that improve its competitive position. Initiatives focused on reducing the complexity and increasing the resilience of our supply chains have also been progressed. We continue to consolidate spend with key suppliers, strengthening relationships and reducing complexity, whilst dual sourcing where appropriate to provide more supply chain resilience.

Our market-led innovation model continues to deliver value tomorrow. Investments in business development resource and Growth Hub projects are seeing tangible benefits. We delivered £52m (2021: £23m) of orders from Growth Hub projects in 2022, as our new products solve key industry problems, helping our customers become safer, more sustainable and more productive. Our Growth Hub pipelines remain robust, with exciting early-stage projects actively progressing across all three divisions.

We completed three strategic acquisitions in 2022:

- Heatmiser UK Ltd ('Heatmiser'), a leading smart thermostatic control manufacturer, in December 2022. Heatmiser extends IMI Hydronic's energy saving product portfolio and provides the opportunity to accelerate our growth in smart buildings.

- Bahr Modultechnik GmbH ('Bahr'), the German linear motion specialist, in June 2022. As part of the Industrial Automation sector within IMI Precision Engineering, Bahr's unique electric actuation systems significantly expand our product portfolio, allowing us to deliver innovative automation solutions to customers regardless of power source. We see a great opportunity to scale Bahr's product portfolio across our existing customer base. Bahr also provides growth into less cyclical markets, such as Pharmacy Automation, increasing the resilience of the division and Group.

- CorSolutions LLC ('CorSolutions'), a leading innovator in micro-fluid flow control, in October 2022. Part of the Life Sciences sector within IMI Precision Engineering, CorSolutions brings unique microfluidic capabilities to our leading product portfolio within the attractive analytical instrument market. We see a significant opportunity to leverage OEM relationships and scale the existing CorSolutions product portfolio and are excited to incorporate its talented R&D team into our Growth Hub programme.

These acquisitions offer the potential for significant synergies, bring strategic capability to our business and further move us into attractive Better World growth markets. All three acquisitions meet our strict M&A criteria and are expected to deliver returns in excess of IMI's cost of capital by the end of year three. We have retained senior individuals in all three businesses, who are now actively contributing to IMI's purpose-led strategy.

Environmental, Social & Governance (ESG)

Our purpose, ***Breakthrough Engineering for a better world***, continues to drive our actions and create real energy across our organisation. This year we conducted an in-depth ESG materiality assessment in collaboration with customers, investors and employees. This fed into the development of our Board approved ESG strategy and determined our sustainability pillars:

1. **Empowering people**: we will develop and empower people to make an impact and create a better working world

In addition to the regulatory guidelines on Inclusion & Diversity, we have selected women in management as our key metric for improving gender balance in leadership roles at IMI. We measure this population to build the succession pool for leadership roles. In 2022 it was 22%, up from 21% in 2021, and we are targeting 25% in 2023.

Ensuring all our employees are safe at work is central to our strategy and culture, so we have a continued focus on identifying and reducing workplace hazards. Our Total Recordable Incident Frequency Rate (TRIFR) improved by 38% from 0.56 to 0.35 in the year and, whilst this is good progress, we remain committed to the ambition of an accident-free workplace.

Our continued focus on empowering people and on creating an inclusive, diverse, and safe workplace is being recognised. Our annual employee survey, One Big Voice, delivered an employee engagement score increase from 77% in 2021 to 80% in 2022.

2. **Sustainable solutions**: we will engineer solutions that help our customers become safer, more sustainable and more productive

IMI's solutions support our customers' products and operations and often directly contribute to the delivery of their carbon reduction targets. When considering investments, we ensure the impact on IMI's overall ESG positioning and performance are 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 to develop solutions for a zero-carbon future.

3. **Climate action**: we will play our part to address climate change by minimising the environmental impact across everything we do

We reduced our CO_2 intensity by 9% in 2022. All divisions are progressing actions that will contribute to our goal of halving our factory CO_2 intensity by 2030, and IMI is committed to achieving net zero Scope 1 & Scope 2 emissions by 2040. Having determined our Scope 3 emissions, we are now building our action plans to meet our commitment to reduce these by 25% by 2030 and to be net zero by 2050.

Responsible business underpins everything we do – doing the right thing is at the heart of IMI.

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

Divisional results review

The following review relates to our businesses' performance for the year ended 31 December 2022 when compared to the same period in 2021. References to organic growth are on a constant currency basis and exclude disposals and acquisitions, see Note 1 for a reconciliation of these measures.

IMI Precision Engineering

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 Precision Engineering operates across three principal business units: Industrial Automation, Precision Fluid OEM and Transportation. Further details on that segmentation, and comparison with the 2021 results are available in Note 1.

	2022	2021	Change	Organic vs 2021*
Revenue	£986m	£836m	+18%	+5%
Adjusted operating profit*	£182.6m	£148.9m	+23%	+9%
Adjusted operating margin*	18.5%	17.8%	+70bps	
Statutory operating profit	£130.1m	£99.6m	+31%	
Statutory operating margin	13.2%	11.9%	+130bps	

*See Note 1 for definitions of alternative performance measures and the references to reconciliations of these measures.

Key developments

- Strong sales growth of 18%, organic growth of 5%
- Adjusted operating margin up 70bps
- Statutory operating profit up 31%
- Acquisition of Bahr completed, expanding electric linear motion offering

2022 performance

IMI Precision Engineering had a strong year, delivering organic revenue growth of 5% and revenue growth of 18%. This performance reflects positive conditions in our core end markets; selective M&A increasing our exposure to attractive adjacencies; and our continued focus on customer satisfaction, achieving an industry leading customer satisfaction score in the year.

Industrial Automation delivered strong organic growth of 7% compared with 2021. We see continued underlying demand for solutions that automate processes in a competitive labour market. The integration of Bahr, acquired in June 2022, has been progressing well and we see a significant opportunity to scale Bahr's innovative electric linear motion system across our existing customer base. Furthermore, Bahr's strength in less cyclical markets, such as Pharmacy Automation, increases the resilience of IMI Precision Engineering.

Precision Fluid OEM, around half of which is in the Life Sciences sector, remains an exciting segment, delivering organic growth of 6%. Adaptas, acquired in December 2021, has performed strongly with its order book up 66% at £40m at the end of the year. The business is integrating well into the Group, and extending the division's product portfolio further into the attractive Life Sciences sector. The acquisition of CorSolutions, a leading innovator in micro-fluid flow control, will further expand growth in this area by complementing the offering from Adaptas.

Transportation revenues were up 1% compared with 2021. Whilst we continue to experience good underlying demand for our products, the supply of semiconductors and other electronic equipment has constrained truck volumes in EMEA and North America, while COVID-19 restrictions impacted truck volumes in China. We are maintaining strong relationships with OEMs, ensuring we stay well placed to meet demand as these pressures ease.

Adjusted operating margin in the division improved in the period by 70bps to 18.5%. The division continues to advance complexity reduction initiatives, simplifying the business to better serve customers. These projects delivered £9m of incremental benefits in the year.

Growth has been supported by a significant investment in people in the year, with a specific focus on Growth Hub and digital roles. We have seen strong improvements in employee engagement and Inclusion & Diversity remains a priority.

IMI Precision Engineering also made progress with initiatives that reduce the environmental impact of its facilities and operations. Solar panels are being installed across our sites globally and we are investigating opportunities to electrify our vehicle fleet and roll-out integrated energy management systems across manufacturing facilities.

Outlook

Based on current market conditions, including the softening industrial production environment, IMI Precision Engineering 2023 organic revenues are expected to be lower than in 2022, with margins slightly higher.

IMI Critical Engineering

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. Further details on IMI Critical Engineering market segmentation, and comparison with 2021, are available in Note 1.

	2022	2021	Change	**Organic vs 2021***
Order intake	£812m	£712m	+14%	+12%
Closing order book	£627m	£531m	+18%	
Revenue	£713m	£691m	+3%	+2%
Adjusted operating profit*	£135.5m	£125.0m	+8%	+7%
Adjusted operating margin*	19.0%	18.1%	+90bps	
Statutory operating profit	£127.7m	£110.7m	+15%	
Statutory operating margin	17.9%	16.0%	+190bps	

*See Note 1 for definitions of alternative performance measures and the references to reconciliations of these measures.

Key developments

- Organic order intake up 12% in the full year, order book up 18% year on year
- Growth Hub delivers £43m orders
- Adjusted operating profit up 8%
- Statutory operating profit up 15%

2022 performance

IMI Critical Engineering delivered another impressive performance in 2022, with organic order intake 12% higher than 2021. This reflects increased activity across our Energy end markets, as well as a significant contribution from the division's Growth Hub and Sprint Teams.

Aftermarket orders grew 16% organically, with strong growth in Refining & Petrochemical, Oil & Gas and Power. New Construction orders were 8% higher on an organic basis, largely reflecting increased Oil & Gas activity.

IMI Critical Engineering continues to advance its strategy and is actively deploying Growth Hub where its expertise can support sustainable future growth. The division's Growth Hub and Sprint Teams are providing a significant impact to the divisional results and contributed £43m of orders in the year (2021: £20m).

The IMI Critical order book at the end of the year was 18% higher than December 2021.

Organic revenue was 2% higher than the prior period, and 3% higher on an adjusted basis. Aftermarket organic sales were 5% higher than 2021, largely due to growth in the Oil & Gas, Refining and Petrochemical and Nuclear segments. New Construction organic sales were 2% lower than last year, reflecting the phasing of Oil & Gas projects.

Adjusted operating margin for the year was 19.0%, 90bps higher than the prior year. This was another strong performance reflecting the division's strategy to maximise higher margin aftermarket opportunities as well as the continued execution of footprint optimisation initiatives, delivering £4m of incremental savings in 2022.

Growth is supported by continued investment in talent and development.. This is underpinned by a focus on Inclusion & Diversity, higher levels of employee engagement and the introduction of further commercial and leadership development programmes. This investment is also driving significant improvements in customer service, with IMI Critical Engineering now reporting an industry leading customer satisfaction score.

IMI Critical Engineering also made great progress with initiatives aimed at improving sustainability and reducing the environmental impact of operations in the year. The division's new manufacturing facility in Sardinia, opened in October 2022, has been designed to be a showcase facility for efficiency, from its use of renewable energy sources to its layout which is optimised for material and product flow and employee safety. The site is set to play an important role in the division's continued development of green solutions and will host a team dedicated to developing and testing solutions for hydrogen generation products.

Outlook

Based on the division's order book and current market conditions, IMI Critical Engineering 2023 organic revenues and margins are expected to be higher than 2022.

IMI Hydronic Engineering

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

	2022	2021	Change	**Organic vs 2021***
Revenue	£350m	£339m	+3%	+4%
Adjusted operating profit*	£71.1m	£68.1m	+4%	+5%
Adjusted operating margin*	20.3%	20.1%	+20bps	
Statutory operating profit	£70.6m	£64.1m	+10%	
Statutory operating margin	20.2%	18.9%	+130bps	

*See Note 1 for definitions of alternative performance measures and the references to reconciliations of these measures.

Breakthrough Engineering

Key developments

- 4% organic sales growth with adjusted operating margin improved to 20.3%
- Statutory operating profit up 10%
- Continued strong demand for our energy saving solutions
- Acquisition of Heatmiser completed, significant opportunity to accelerate growth in smart buildings

2022 performance

IMI Hydronic Engineering's premium products play an important role in helping customers meet their environmental and sustainability goals, delivering optimal energy efficient heating and cooling solutions to the residential and commercial building sector. 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 4% higher when compared to the prior year, and 3% higher on an adjusted basis. Growth was supported by strong orders for automated control and actuation products. Sales of our digitally enabled products – including the TA-Smart valve – continue to make excellent progress.

Adjusted operating profit increased 5% on an organic basis versus the prior year and adjusted operating margin improved to 20.3%, an increase of 20 basis points, reflecting the quality of the business.

Growth is supported by strategic investments in our digital R&D centre in Belgium and the expansion of the division's Growth Hub programme. Employee engagement remains high and there has been a continued focus on Inclusion & Diversity.

This investment is accompanied by a continued focus on customer experience. IMI Hydronic Engineering reported a customer satisfaction score benchmarked as industry leading, despite the continued supply chain pressures.

The acquisition of Heatmiser, completed in December 2022, will accelerate the division's growth in smart buildings. Complementing IMI Hydronic's existing HVAC product offerings, Heatmiser provides an attractive entry point into connected residential thermostatic control, a fast-growing market where Heatmiser is already a UK leader. There is a significant opportunity to leverage IMI Hydronic's strong brand and market presence to scale Heatmiser's offering across Europe, as well as leverage Heatmiser's proven connected technology capabilities across existing and new IMI products.

The division is also actively progressing initiatives to reduce complexity and simplify business processes for growth. Back-office functions are being simplified and standardised and a Business Service Centre is being implemented to centralise activities where appropriate.

In addition to playing an important role helping customers reduce energy consumption, IMI Hydronic has continued to invest in improving the energy efficiency of its operations through equipment upgrades and process improvements.

Outlook

Based on current market conditions, IMI Hydronic Engineering 2023 organic revenues and margins are expected to be higher than 2022.

Financial review

Key highlights

	Adjusted[1]				Statutory		
	2022	2021	Change	**Organic[3]**	**2022**	2021	Change
Revenue	**£2,049m**	£1,866m	+10%	**+4%**	**£2,049m**	£1,866m	+10%
Operating profit	**£364m**	£318m	+14%	**+8%**	**£298m**	£251m	+19%
Operating margin	**17.8%**	17.0%	+80bps		**14.6%**	13.4%	+120bps
Profit before tax	**£346m**	£307m	+13%		**£285m**	£245m	+17%
Basic EPS	**105.5p**	92.0p	+15%		**87.6p**	73.5p	+19%
Operating cash flow[2]	**£290m**	£274m	+6%		**£336m**	£327m	+3%
Dividend per share	**25.7p**	23.7p	+8%		**25.7p**	23.7p	+8%
Net debt: adjusted EBITDA	**1.8x**	1.5x					

1 Excluding the effect of adjusting items as reported in the income statement. See Note 1 for definitions of alternative performance measures.
2 Adjusted operating cash flow, as described in Note 1 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 1).

Certain alternative performance measures (‘APMs’) have been included within this press release. These APMs are used by the Executive Committee to monitor and manage the performance of the Group, in order to ensure that decisions taken align with the Group’s long-term interests. Movements in revenue and adjusted operating profit are given on an organic basis (see definition in Note 1) so that performance is not distorted by acquisitions, disposals and movements in exchange rates. A table summarising the reconciliation of adjusted measures to statutory measures is included in Note 1.

Third year of profit and margin improvement

The Group delivered a good financial result in the year, as revenue and operating margin improved. Revenue increased by 10% to £2,049m (2021: £1,866m). Organic revenue was 4% higher than the prior year, after adjusting for acquisitions, disposals and exchange rate movements. The exchange rate adjustment was positive £67m.

Adjusted operating profit of £364m (2021: £318m) was 14% higher than last year. On an organic basis, adjusted operating profit increased by 8%.

The adjusted operating margin was 17.8% (2021: 17.0%). All three divisions grew adjusted margins in the year, supported by revenue growth, the benefits of ongoing restructuring programmes and value-pricing initiatives. Statutory operating profit was £298m (2021: £251m), which increased 19%.

Adjusted net financing costs on net borrowings of £19.2m (2021: £12.1m) was higher as a result of recent acquisitions and increases in base rates and includes the impact of £2.8m (2021: £2.8m) interest cost on leases. Statutory net finance costs were £12.8m compared to £5.9m in 2021, reflecting the higher net financing costs.

Adjusted net financing costs were covered 24 times (2021: 33 times) by adjusted earnings before interest, tax, depreciation, amortisation, impairment and adjusting items of £457m (2021: £404m). The net pension financing income under IAS 19 was £1.5m (2021: £1.0m).

Statutory profit before taxation increased 17% to £285m (2021: £245m) reflecting growth the year and the Group’s continued execution of restructuring activities to improve customer focus and long-term competitiveness. Adjusted profit before taxation was £346m (2021: £307m), which was 13% higher than 2021. The total statutory profit for the period after taxation was £226m (2021: £196m).

Breakthrough Engineering

Adjusting items

Adjusting items	2022 £m	2021 £m
Reversal of net economic hedge contract losses/(gains)	3	(6)
Restructuring costs and associated impairment losses	(26)	(40)
Loss on disposal of subsidiary	-	(4)
Acquired intangible amortisation and other acquisition items	(34)	(18)
Exit from Russia	(9)	-
Gains on instruments measured at fair value through profit or loss	5	5
Tax in connection with the above adjusting items	15	15
Change in UK tax rate	-	(19)
Release of prior year provisions	-	17

Adjusting items that are excluded from adjusted profit before tax are listed below:

- **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 item reverses this treatment at an operating profit level, leading to a gain of £3m (2021: £6m charge).

- **Restructuring costs and associated impairment losses:** restructuring costs of £26m were incurred in 2022, which includes a £2m impairment reversal. A detailed breakdown of these costs by division, alongside expected benefits is provided below. Further details on 2021 projects are included in Note 6.

- **Loss on disposal of subsidiary:** following the disposal of IMI Interativa in July 2021, the Group recorded a loss on disposal of £4m.

- **Acquired intangible amortisation and other acquisition items:** Acquired intangible amortisation is excluded from adjusted profits, to allow for comparability of the performance across divisions. We exclude amortisation of acquired intangibles in our adjusted measure to provide additional information on the impact of our acquisition strategy. We note that the trading results of acquired businesses are included in the adjusted results. Acquired intangible amortisation increased to £30m (2021: £15m). Other acquisition costs of £4m (2021: £3m) primarily relates to professional fees associated with the acquisitions of Bahr, CorSolutions and Heatmiser.

- **Exit from Russia:** IMI strongly opposes the invasion of Ukraine and fully supports all sanctions. On 4 March 2022 we ended all new business in and international deliveries to Russia and on 27 May 2022 we completed the divestment of our Russian subsidiary to local management, resulting in a charge of £9m.

- **Gains on instruments measured at fair value through profit or loss:** A gain arose on the revaluation of financial instruments and derivatives under IFRS 9 of £5m (2021: £5m gain).

- **Taxation:** The tax effect of the above items has been recognised as an adjusting item and amounts to a £15m gain (2021: £15m gain). In 2021, two adjusting tax items arose that were not repeated in 2022. First, the impact on the Group's deferred tax liabilities of the increase in the UK corporation tax rate to 25% with effect from April 2023, was a charge of £19m. Second, a gain of £17m was recorded due to the release of provisions in respect of prior years which were no longer expected to arise.

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	2022	2023*	2024*	2025*
Restructuring charge (including impairment losses)				
IMI Precision Engineering	(25)	(28)	(11)	-
IMI Critical Engineering	-	(8)	(35)	(5)
IMI Hydronic Engineering	(1)	-	-	-
Total charge	**(26)**	**(36)**	**(46)**	**(5)**
Cash impact	(43)	(35)	(32)	(5)
£m	**2022**	**2023***	**2024***	**2025***
Incremental annual benefits				
IMI Precision Engineering	9	16	7	3
IMI Critical Engineering	4	3	6	6
IMI Hydronic Engineering	-	1	-	-
Total benefits	**13**	**20**	**13**	**9**

*Future looking forecast information.

All three divisions advanced their significant multi-year restructuring programmes in 2022, recognising a total charge of £26m. This predominantly relates to the Customer First project (across a number of businesses) and the rationalisation of four facilities within IMI Precision Engineering.

The restructuring programme contributed £13m of benefits in the year, exceeding the previously reported target of £10m due to an acceleration of the programme benefits. Including 2022, the total cost of the programme to date is £144m and benefits of £84m.

Significant projects are expected to be largely complete in 2024, although the Group will always seek and execute on opportunities that improve its competitive position.

Taxation

The adjusted effective tax rate for the Group increased to 21.3% (2021: 20.0%) reflecting a one-off tax credit in 2021. The total adjusted tax charge for the year was £74m (2021: £61m) and the statutory effective tax rate was 20.7% (2021: 19.7%). The Group seeks to manage its tax affairs within its core tax principles of compliance, fairness, value and transparency, in accordance with the Group's Corporate Tax Strategy which is available on the Group's corporate website. We are expecting the adjusted effective tax rate to increase to 22% in 2023, reflecting the increase in the UK statutory rate of corporation tax rate from 19% to 25% with effect from 1 April 2023.

Statutory basic earnings per share increased by 19%

The average number of shares in issue during the period was 258m (2021: 267m), resulting in adjusted basic earnings per share of 105.5p (2021: 92.0p), an increase of 15%. Statutory basic earnings per share increased by 19% at 87.6p (2021: 73.5p) and statutory diluted earnings per share increased by 19% at 87.2p (2021: 73.2p).

Maintaining continued cash discipline

Movement in net debt	2022	2021
	£m	£m
Adjusted EBITDA*	**457.0**	**403.5**
Working capital movements	(85.1)	(50.6)
Capital and development expenditure	(71.3)	(57.5)
Provisions and employee benefit movements**	1.5	(0.5)
Principal elements of lease payments	(32.3)	(30.0)
Other	20.2	9.0
Adjusted operating cash flow * **	**290.0**	**273.9**
Adjusting items	(52.6)	(35.6)
Interest	(19.2)	(12.1)
Derivatives	(8.6)	26.4
Tax paid	(48.6)	(50.9)
Additional pension scheme funding	(3.5)	(7.0)
Free cash flow before corporate activity	**157.5**	**194.7**
Dividends paid to equity shareholders	(62.2)	(61.8)
Acquisition/disposal of subsidiaries	(213.3)	(203.8)
Net purchase of own shares and share buyback programme	(18.8)	(225.6)
Net cash flow (excluding debt movements)	**(136.8)**	**(296.5)**
Reconciliation of net cash to movement in net debt		
Net increase/(decrease) in cash and cash equivalents excluding foreign exchange	11.0	(86.7)
Less: cash acquired/disposed	(10.0)	(1.8)
Net drawdown of borrowings excluding foreign exchange and net debt disposed/acquired	(137.8)	(208.0)
Increase in net debt before acquisitions, disposals and foreign exchange	**(136.8)**	**(296.5)**
Net cash acquired/disposed	10.0	-
Currency translation differences	(50.6)	(4.5)
Movement in lease liabilities	(11.8)	(5.6)
Movement in net debt in the year	**(189.2)**	**(306.6)**
Net debt at the start of the year	(622.8)	(316.2)
Net debt at the end of the year	**(812.0)**	**(622.8)**

*Adjusted profit after tax (£272.4m) before interest (£17.7m), tax (£73.7m), depreciation (£74.2m), amortisation (£18.5m) and impairment (£0.5m).

**Movement in provisions and employee benefits as per the statement of cash flows (£13.8m) adjusted for the movement in restructuring provisions (£15.3m).

***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, a reconciliation is included in Note 9.

Adjusted operating cash flow was £290m (2021: £274m). This represents a conversion rate of total Group adjusted operating profit to adjusted operating cash flow of 80% (2021: 86%) largely due to increased working capital to support effective supply chain management. There was a £53m cash outflow from adjusting items (2021: £36m outflow) primarily related to restructuring costs.

Net working capital balances increased £85m due to an increase in receivables of £39m as a result of the growth and an increase in inventory of £47m to maintain service levels to customers in light of the continuing supply chain challenges, partly offset by an increase in payables of £1m. The increase in 2021 of £51m was due to an increase in receivables of £44m and an increase in inventory of £37m partly offset by an increase in payables of £31m.

Cash spent on property, plant and equipment and other non-acquired intangibles in the year was £71m (2021: £58m) which was equivalent to 1.2 times (2021: 1.0 times) depreciation and amortisation thereon.

Breakthrough Engineering

The Group continues to deploy capital to improve the efficiency of its operations, including projects that support our net zero carbon target.

Research and development spend, including capitalised intangible development costs of £6m (2021: £5m), totalled £68m (2021: £54m) representing 3.3% (2021: 2.9%) of sales. The Group continues to support investment in growth with this spend focused on our Better World purpose. As this measure focuses primarily on the efforts of the engineering function, it does not fully capture the cross-functional support in Growth Hub initiatives – a significant investment alongside our research and development spend.

In 2022 the Group paid cash tax of £49m (2021: £51m) which was 66% (2021: 83%) of the adjusted tax charge for the year.

Dividends paid to shareholders totalled £62m (2021: £62m), and there was a cash outflow of £19m (2021: £26m outflow) for share purchases to satisfy employee share options. There was no cash outflow associated with share buybacks in 2022 (2021: £200m).

Overall net debt increased by £189m in 2022 (2021: £307m).

Strong balance sheet continues to provide strategic opportunity

Net debt at the year-end was £812m compared to £623m at the end of the previous year. The increase reflects in-year acquisitions of Bahr, CorSolutions and Heatmiser, partly offset by the cash generation in the year. The net debt is composed of a cash balance of £133m (2021: £95m), a bank overdraft of £94m (2021: £66m), interest-bearing loans and borrowings of £746m (2021: £558m) and lease liabilities of £105m (2021: £94m).

The year-end net debt to adjusted EBITDA ratio was 1.8 times (2021: 1.5 times). At the end of 2022, loan notes totalled £546m (2021: £353m), with a weighted average maturity of 4.6 years (2021: 4.3 years) and other loans including bank overdrafts totalled £294m (2021: £271m). Total committed bank loan facilities available to the Group at the year-end were £300m (2021: £300m), of which £100m (2021: £70m) was drawn.

At 31 December 2022, the value of the Group's intangible assets, including goodwill, was £1,004m (2021: £768m). The increase compared to the prior year primarily reflects in-year acquisitions.

The net book value of the Group's property, plant and equipment at 31 December 2022 was £299m (2021: £268m). Capital expenditure on property, plant and equipment amounted to £57m (2021: £46m), with the main capital expenditure focused on production facility investment to support operational efficiency and growth. Including capitalised intangible assets, total capital expenditure was £71m (2021: £58m) and was 1.2 times (2021: 1.0 times) the depreciation and amortisation charge (excluding acquired intangible amortisation and lease asset depreciation) for the year of £60m (2021: £56m).

The net deficit for defined benefit obligations at 31 December 2022 was £19m (2021: £63m surplus). The UK surplus was £28m (2021: £129m surplus) with the liabilities now fully bought-in and no future funding requirements expected. The deficit in the overseas funds as at 31 December 2021 was £47m (2021: £66m deficit).

Return on invested capital ('ROIC')

The Group uses ROIC as an indication of IMI's ability to deploy capital effectively. The Group's definition is Adjusted Operating Profit after tax divided by Average Capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets/liabilities, defined pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangibles.

ROIC was 12.7% in 2022 (2021: 13.2%) which decreased by 0.5% reflecting the impact of recent acquisitions that have increased our invested capital at the year end though we do not see the full year benefit of the profits until 2023.

Return on invested capital	2022 £m	2021 £m
	£m	£m
Adjusted operating profit	363.8	318.1
Notional tax charge	(77.5)	(63.6)
Net adjusted operating profit after tax	286.3	254.5
Net assets	905.6	779.1
Adjusted for:		
Net debt	812.0	622.8
Restructuring provision	17.8	31.6
Net derivative assets/liabilities	(1.9)	(3.7)
Net defined pension benefit	18.9	(62.5)
Deferred tax on employee benefits	(5.0)	13.9
Previously written-off/impaired goodwill	346.9	346.9
Acquired intangibles amortisation	366.5	311.5
Closing capital invested	2,460.8	2,039.6
Opening capital invested	2,039.6	1,818.1
Average capital invested	2,250.2	1,928.9
Return on invested capital	12.7%	13.2%

Three strategic acquisitions in the year in attractive growth markets

The Group completed three strategic acquisitions in 2022:

- On 9 June 2022 the Group acquired 100% of the share capital, and associated voting rights, of Bahr Modultechnik GmbH 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.

- On 27 October 2022 the Group acquired 100% of the share capital, and associated voting rights, of CorSolutions LLC for initial cash consideration of £7.5m and an expected earn-out of £3.6m. CorSolutions is a leading innovator in micro-fluid flow control, based in Ithaca, New York.

- On 23 December 2022 the Group acquired 100% of the share capital, and associated voting rights, of Heatmiser UK Ltd 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, England.

Disposals

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.

Foreign exchange

The income statements of overseas operations are translated into Sterling at average rates of exchange for the year, balance sheets are translated at year end rates. The most significant currencies are the Euro and the US Dollar – the relevant rates of exchange were:

	Average Rates		Balance Sheet Rates	
	2022	2021	**2022**	2021
Euro	**1.17**	1.16	**1.13**	1.19
US Dollar	**1.24**	1.38	**1.21**	1.35

The movement in average exchange rates between 2021 and 2022 positively impacted both revenue and adjusted operating profit by 4% in the full year when compared to 2021.

If average exchange rates for January 2023 of US$1.23 and €1.14 were projected for the full year and applied to our 2022 results, it is estimated that both revenue and adjusted operating profit would be 2% higher.

Treasury

IMI has a centralised Treasury function that provides treasury services to Group companies including funding liquidity, credit, foreign exchange, interest rate and base metal commodity management. The Group Treasury function manages financial risks in compliance with Board-approved policies.

Continued disciplined approach to capital allocation

The Board determines the appropriate capital structure for the Group, specifically how much cash is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) to finance the Group's activities both now and in the future.

The Board considers the Group's capital structure and dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan.

At 31 December 2021, IMI plc (the company) had distributable reserves of £282m (2021: £294m).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022			2021		
		Adjusted	**Adjusting items (Note 1)**	**Statutory**	Adjusted	Adjusting items (Note 1)	Statutory
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	1	**2,049**		**2,049**	1,866		1,866
Cost of sales		**(1,110.9)**	**(1.2)**	**(1,112.1)**	(1,004.3)	(0.3)	(1,004.6)
Gross profit		**938.1**	**(1.2)**	**936.9**	861.7	(0.3)	861.4
Net operating costs		**(574.3)**	**(64.4)**	**(638.7)**	(543.6)	(67.3)	(610.9)
Operating profit	1	**363.8**	**(65.6)**	**298.2**	318.1	(67.6)	250.5
Financial income	3	**4.6**		**4.6**	2.4		2.4
Financial expense	3	**(23.8)**		**(23.8)**	(14.5)		(14.5)
Gains on instruments measured at fair value through profit or loss (Note 1)			**4.9**	**4.9**		5.2	5.2
Net financial income relating to defined benefit pension schemes	8	**1.5**		**1.5**	1.0		1.0
Net financial (expense)/income		**(17.7)**	**4.9**	**(12.8)**	(11.1)	5.2	(5.9)
Profit before tax		**346.1**	**(60.7)**	**285.4**	307.0	(62.4)	244.6
Taxation	4	**(73.7)**	**14.6**	**(59.1)**	(61.4)	13.1	(48.3)
Profit after tax		**272.4**	**(46.1)**	**226.3**	245.6	(49.3)	196.3
Earnings per share	5						
Basic - from profit for the year				87.6p			73.5p
Diluted - from profit for the year				87.2p			73.2p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	£m	**£m**	£m	£m
Profit for the year		**226.3**		196.3
Items that will not subsequently be reclassified to profit and loss				
Re-measurement (loss)/gain on defined benefit plans	**(82.7)**		70.9	
Related taxation effect	**20.4**		(18.4)	
Effect of taxation rate change on previously recognised items	**-**		15.8	
		(62.3)		68.3
Items that may be reclassified to profit and loss				
(Loss)/gain arising on hedging instruments designated in hedges of the net assets in foreign operation	**(7.5)**		20.0	
Gain/(loss) on exchange differences on translation of foreign operations net of funding revaluations	**40.9**		(33.8)	
Gain on exchange differences reclassified to income statement on disposal of operations	**0.6**		0.1	
Related tax (charge)/credit on items that may subsequently be reclassified to profit and loss	**(0.3)**		1.2	
		33.7		(12.5)
Other comprehensive (loss)/income for the year, net of taxation		**(28.6)**		55.8
Total comprehensive income for the year, net of taxation		**197.7**		252.1
Attributable to:				
Equity holders of the parent		**197.7**		252.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2021		81.8	14.3	174.4	22.6	506.4	799.5
Profit for the year						196.3	196.3
Other comprehensive (expense)/income excluding related taxation effect					(13.7)	70.9	57.2
Related taxation effect					1.2	(2.6)	(1.4)
Total comprehensive (expense)/income					(12.5)	264.6	252.1
Issue of share capital		-	0.9				0.9
Dividends paid	7					(61.8)	(61.8)
Share-based payments (net of tax)						15.0	15.0
Cancellation of Treasury shares		(3.2)		3.2			-
Shares acquired for:							
employee share scheme trust						(26.6)	(26.6)
share buyback programme						(200.0)	(200.0)
As at 31 December 2021		78.6	15.2	177.6	10.1	497.6	779.1
Changes in equity in 2022							
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**

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Assets		
Goodwill	**733.7**	533.6
Other intangible assets	**270.5**	234.5
Property, plant and equipment	**299.2**	267.7
Right of use assets	**107.0**	91.5
Employee benefit assets	**28.5**	129.0
Deferred tax assets	**24.5**	39.7
Other receivables	**2.6**	1.9
Total non-current assets	**1,466.0**	1,297.9
Inventories	**416.3**	335.2
Trade and other receivables	**484.9**	414.0
Derivative financial assets	**15.7**	10.0
Current tax	**2.0**	14.2
Investments	**2.0**	2.9
Cash and cash equivalents	**133.0**	94.6
Total current assets	**1,053.9**	870.9
Total assets	**2,519.9**	2,168.8
Liabilities		
Trade and other payables	**(437.7)**	(400.4)
Bank overdraft	**(93.8)**	(65.5)
Interest-bearing loans and borrowings	**(150.1)**	(127.7)
Lease liabilities	**(25.8)**	(23.9)
Provisions	**(27.2)**	(38.1)
Current tax	**(70.1)**	(66.0)
Derivative financial liabilities	**(13.8)**	(6.3)
Total current liabilities	**(818.5)**	(727.9)
Interest-bearing loans and borrowings	**(595.4)**	(430.3)
Lease liabilities	**(79.9)**	(70.0)
Employee benefit obligations	**(47.4)**	(66.5)
Provisions	**(15.3)**	(18.3)
Deferred tax liabilities	**(47.9)**	(70.2)
Other payables	**(9.9)**	(6.5)
Total non-current liabilities	**(795.8)**	(661.8)
Total liabilities	**(1,614.3)**	(1,389.7)
Net assets	**905.6**	779.1
Share capital	**78.6**	78.6
Share premium	**16.4**	15.2
Other reserves	**221.4**	187.7
Retained earnings	**589.2**	497.6
Total equity	**905.6**	779.1

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Operating profit for the year		**298.2**	250.5
Adjustments for:			
Depreciation and amortisation		**122.2**	99.5
(Reversal of impairment)/impairment of property, plant and equipment and intangible assets		**(1.6)**	5.5
Loss on disposal of subsidiaries	12	**4.8**	3.8
Loss/(profit) on sale of property, plant and equipment		**1.7**	(1.3)
Equity-settled share-based payment expense		**11.7**	12.0
Increase in inventories		**(47.6)**	(37.3)
Increase in trade and other receivables		**(38.8)**	(44.0)
Increase in trade and other payables		**1.3**	30.7
Decrease in provisions (Note 1)		**(16.0)**	(1.2)
Increase in employee benefits (Note 1)		**2.2**	3.0
Settlement of transactional derivatives		**(2.3)**	5.9
Cash generated from operations		**335.8**	327.1
Income taxes paid	4	**(48.6)**	(50.9)
Cash generated from operations after tax		**287.2**	276.2
Additional pension scheme funding		**(3.5)**	(7.0)
Net cash from operating activities		**283.7**	269.2
Cash flows from investing activities			
Interest received	3	**4.6**	2.4
Proceeds from sale of property, plant and equipment		**2.9**	4.6
Settlement of effective net investment hedge derivatives		**(6.3)**	20.5
Acquisitions of subsidiaries net of cash	11	**(201.2)**	(202.1)
Acquisition of property, plant and equipment and non-acquired intangibles		**(71.3)**	(57.5)
Proceeds from disposal of subsidiaries net of cash	12	**(2.1)**	0.1
Net cash from investing activities		**(273.4)**	(232.0)
Cash flows from financing activities			
Interest paid	3	**(23.8)**	(14.5)
Proceeds from shares issued from employee share scheme trust (Note 1)		**-**	3.4
Shares acquired for employee share scheme trust (Note 1)		**(20.0)**	(30.0)
Share buyback programme including acquisition expenses		**-**	(200.0)
Proceeds from issue of share capital for employee share schemes		**1.2**	1.0
Drawdown of borrowings	9	**259.1**	208.0
Repayment of borrowings	9	**(121.3)**	-
Principal elements of lease payments		**(32.3)**	(30.0)
Dividends paid to equity shareholders	7	**(62.2)**	(61.8)
Net cash from financing activities		**0.7**	(123.9)
Net increase/(decrease) in cash and cash equivalents		**11.0**	(86.7)
Cash and cash equivalents at the start of the year		**29.1**	134.4
Effect of exchange rate fluctuations		**(0.9)**	(18.6)
Cash and cash equivalents at the end of the year		**39.2**	29.1
Reconciliation of cash and cash equivalents			
Cash and cash equivalents		**133.0**	94.6
Bank overdraft		**(93.8)**	(65.5)
Cash and cash equivalents at the end of the period		**39.2**	29.1

Reconciliation of net cash to movement in net borrowings appears in Note 9.

1. Segmental information

Segmental information is presented in the consolidated 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 to the chief operating decision-maker, being the Executive Committee. Each of the Group's three divisions has a number of key brands across its main markets and operational locations. 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-segment revenue is insignificant.

IMI Precision Engineering
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
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
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 1. 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.

Re-presentations

The following re-presentations have been included in the following financial statements in the current year and as a result, 2021 comparatives have been re-presented accordingly:

Consolidated income statement

'Net financial income/(expense) relating to financial instruments' which was previously recorded within 'Financial income' or 'Financial expense' is now disclosed as 'Gains/(losses) on instruments measured at fair value through profit or loss'. Prior year comparatives have been re-presented.

Consolidated statement of cash flows

The 'Increase/(decrease) in provisions and employee benefits' within 'Cash flows from operating activities' are now disclosed separately as 'Increase/(decrease) in provisions' and 'Increase/(decrease) in employee benefits'. Prior year comparatives have been re-presented.

The 'Proceeds/(expenditure) for shares acquired for employee share scheme trust' within 'Cash flows from financing activities' is now split into 'Shares acquired for employee share scheme trust' and 'Proceeds from shares issued from employee share scheme trust'. Prior year comparatives have been re-presented.

1. Segmental information (continued)

Alternative Performance Measures ('APMs')
Certain alternative performance measures ('APMs') have been included within this announcement and discussed further in Note 6. These APMs are used by the Executive Committee to monitor and manage the performance of the Group. Movements in revenue and adjusted operating profit are given on an organic basis (see definition below) so that performance is not distorted by acquisitions, disposals and movements in exchange rates.

References to EPS, unless otherwise stated, relate to adjusted basic EPS i.e. after adjustment for the per share after tax impact of adjusted items. The directors' commentary discusses these alternative performance measures 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. The table below details the definition of each APM and a reference to where it can be reconciled to the equivalent statutory measure.

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 on page 16.
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 on page 16.
Adjusted earnings per share	Adjusted earnings per share is defined within the table in Note 5.	See Note 5.
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 4.
Adjusted EBITDA	This measure reflects adjusted profit after tax before interest, tax, depreciation, amortisation and impairment.	See Note 9.
Adjusted operating profit	Adjusted operating profit is statutory operating profit before adjusted items as shown on the income statement.	
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.	See income statement on page 16 and segmental reporting in Note 1.
Organic revenue growth	These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates.	
Organic adjusted operating profit		
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 9.
Net debt	Net debt is defined as the cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities.	See Note 9.
Net debt: adjusted EBITDA	Net debt divided by adjusted EBITDA as defined above.	
Free cash flow before corporate activity	This measure is a sub-total 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 9.

1. Segmental information (continued)

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	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**%**	%
IMI Precision Engineering	**986**	836	**182.6**	148.9	**18.5%**	17.8%
IMI Critical Engineering	**713**	691	**135.5**	125.0	**19.0%**	18.1%
IMI Hydronic Engineering	**350**	339	**71.1**	68.1	**20.3%**	20.1%
Corporate costs			**(25.4)**	(23.9)		
Total revenue/adjusted operating profit and margin	**2,049**	1,866	**363.8**	318.1	**17.8%**	17.0%
Reversal of net economic hedge contract losses/(gains)			**3.0**	(6.0)		
Restructuring costs and associated impairment losses*			**(25.9)**	(39.7)		
Loss on disposal of subsidiary			**-**	(3.8)		
Acquired intangible amortisation and other acquisition costs			**(33.7)**	(18.1)		
Exit from Russia			**(9.0)**	-		
Statutory revenue/operating profit	**2,049**	1,866	**298.2**	250.5		
Net financial expense			**(12.8)**	(5.9)		
Statutory profit before tax			**285.4**	244.6		

*'Restructuring costs and associated impairment losses' were previously reported separately as 'Restructuring costs' and 'Impairment losses'. These amounts are now reported together as they relate to the same projects.

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Revenue	**986**	836	**713**	691	**350**	339			**2,049**	1,866
Adjusted operating profit	**182.6**	148.9	**135.5**	125.0	**71.1**	68.1	**(25.4)**	(23.9)	**363.8**	318.1
Reconciliation to statutory operating profit:										
Reversal of net economic hedge contract losses/(gains)	**(2.4)**	(3.4)	**3.1**	(1.9)	**2.3**	(0.7)			**3.0**	(6.0)
Restructuring costs and associated impairment losses	**(24.8)**	(35.6)	**(0.4)**	(0.8)	**(0.7)**	(3.3)			**(25.9)**	(39.7)
Loss on disposal of subsidiary				(3.8)					**-**	(3.8)
Acquired intangible amortisation and other acquisition items	**(25.1)**	(10.3)	**(6.6)**	(7.8)	**(2.0)**				**(33.7)**	(18.1)
Exit from Russia	**(0.2)**		**(3.9)**		**(0.1)**		**(4.8)**		**(9.0)**	-
Statutory operating profit	**130.1**	99.6	**127.7**	110.7	**70.6**	64.1	**(30.2)**	(23.9)	**298.2**	250.5
Statutory operating margin (%)	**13.2%**	11.9%	**17.9%**	16.0%	**20.2%**	18.9%			**14.6%**	13.4%

1. Segmental information (continued)

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to 2021:

	Year ended 31 December 2021				**Year ended 31 December 2022**				
Revenue	As adjusted	Disposal	Exchange	Organic	**As adjusted**	**Acquisitions**	**Organic**	**Adjusted growth (%)**	**Organic growth (%)**
IMI Precision Engineering	836	(3)	41	874	**986**	**(70)**	**916**	**18%**	**5%**
IMI Critical Engineering	691	(16)	23	698	**713**		**713**	**3%**	**2%**
IMI Hydronic Engineering	339	(5)	3	337	**350**		**350**	**3%**	**4%**
Total	1,866	(24)	67	1,909	**2,049**	**(70)**	**1,979**	**10%**	**4%**
Adjusted operating profit									
IMI Precision Engineering	148.9	(0.5)	7.4	155.8	**182.6**	**(12.4)**	**170.2**	**23%**	**9%**
IMI Critical Engineering	125.0	(3.3)	5.0	126.7	**135.5**		**135.5**	**8%**	**7%**
IMI Hydronic Engineering	68.1	(0.4)	(0.2)	67.5	**71.1**		**71.1**	**4%**	**5%**
Corporate costs	(23.9)			(23.9)	**(25.4)**		**(25.4)**		
Total	318.1	(4.2)	12.2	326.1	**363.8**	**(12.4)**	**351.4**	**14%**	**8%**
Adjusted operating profit margin (%)	17.0%			17.1%	**17.8%**		**17.8%**		

The following table shows a geographical analysis of how the Group's revenue is derived by destination:

	2022 £m	2021 £m
UK	**93**	83
Germany	**265**	238
Rest of Europe	**520**	520
Total Europe	**878**	841
USA	**536**	410
Rest of Americas	**91**	116
Total Americas	**627**	526
China	**179**	165
Rest of Asia Pacific	**271**	244
Total Asia Pacific	**450**	409
Middle East & Africa	**94**	90
Total revenue	**2,049**	1,866

1. Segmental information (continued)

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

	2022 Revenue £m	2021 Revenue £m
IMI Precision Engineering		
Industrial Automation	**459**	413
Life Sciences	152	91
Process Control	152	119
Precision Fluid OEM	**304**	210
Commercial Vehicle	186	180
Rail	37	33
Transportation	**223**	213
Total IMI Precision Engineering	**986**	836
IMI Critical Engineering		
Power	153	144
Refining & Petrochemical	118	105
Oil & Gas	57	45
Nuclear	46	57
Marine	14	11
Other	23	17
Aftermarket	**411**	379
Refining & Petrochemical	100	108
Oil & Gas	69	77
Power	61	66
Marine	26	22
Nuclear	6	3
Other	40	36
New Construction	**302**	312
Total IMI Critical Engineering	**713**	691
IMI Hydronic Engineering*		
TA	151	144
Heimeier	124	121
Pneumatex	66	61
Other	9	13
Total IMI Hydronic Engineering	**350**	339
Total revenue	**2,049**	1,866
Sale of goods	**1,977**	1,806
Sale of services	**72**	60
Total revenue	**2,049**	1,866

*Prior period IMI Hydronic Engineering results have been restated to reflect a £15m reclassification between TA and Heimeier.

2. Discontinued operations

There was no profit or loss from discontinued operations in 2022 or 2021.

3. Net financing costs

	2022			2021		
	Interest	**Financial Instruments**	**Total**	Interest	Financial Instruments	Total
Recognised in the income statement	**£m**	**£m**	**£m**	£m	£m	£m
Interest income on bank deposits	**4.6**		**4.6**	2.4		2.4
Financial income	**4.6**	**-**	**4.6**	2.4	-	2.4
Interest expense on interest-bearing loans and borrowings	**(21.0)**		**(21.0)**	(11.7)		(11.7)
Interest expense on leases	**(2.8)**		**(2.8)**	(2.8)		(2.8)
Financial expense	**(23.8)**	**-**	**(23.8)**	(14.5)	-	(14.5)
Recognised in other comprehensive income						
Gains on instruments measured at fair value through profit or loss:						
Other economic hedges*		**4.9**	**4.9**		5.2	5.2
Net financial income relating to defined benefit pension schemes	**1.5**		**1.5**	1.0		1.0
Net financial (expense)/income	**(17.7)**	**4.9**	**(12.8)**	(11.1)	5.2	(5.9)

*Gains and losses on financial instruments measured at fair value through profit or loss were previously reported separately under 'Financial income' and 'Financial expense'. These amounts are now reported under 'Gains/(losses) on instruments measured at fair value through profit or loss' and prior year comparatives have been re-presented as they relate to the same underlying transactions.

Included in financial instruments are current year trading gains and losses on economically effective transactions which for management reporting purposes are included in adjusted revenue and operating profit (see Note 1). For statutory purposes, these are shown within net financial income and expense above. Gains or losses for future year transactions are in respect of financial instruments held by the Group to provide stability of future trading cash flows.

4. Taxation

The tax charge before adjusting items is £73.7m (year ended 31 December 2021: £61.4m) which equates to an adjusted effective tax rate of 21.3% compared to 20.0% for the year ended 31 December 2021. The statutory tax charge is £59.1m (year ended 31 December 2021: £48.3m) which equates 20.7% compared to 19.7% for the year ended 31 December 2021. Taxes of £48.6m (2021: £50.9m) were paid in the year. The Group seeks to manage its tax affairs within its core tax principles of compliance, fairness, value and transparency, in accordance with the Group's Tax Policy.

As IMI's head office and parent company is domiciled in the UK, the Group references its effective tax rate to the UK corporation tax rate, despite only a small portion of the Group's business being in the UK. The rate of corporation tax in the UK for the year ended 31 December 2022 is 19.0% (year ended 31 December 2021: 19.0%). The Group's effective tax rate remains slightly above the UK tax rate due to the Group's overseas profits being taxed at higher rates.

In the Autumn Statement of November 2022, the UK government reconfirmed its intention to introduce legislation to give effect to the OECD Inclusive Framework agreement that there should be a minimum global corporate income tax rate of 15%. Based on current proposals this would apply to IMI from 1 January 2024. It therefore does not impact IMI's results for 2022, and it is not expected to have a material impact on IMI's financial statements for subsequent years. However, this will continue to be monitored.

5. Earnings per ordinary share

	Key	2022 million	2021 million
Weighted average number of shares for the purpose of basic earnings per share	A	**258.3**	266.9
Dilutive effect of employee share options		**1.2**	1.1
Weighted average number of shares for the purpose of diluted earnings per share	B	**259.5**	268.0
		£m	£m
Statutory profit for the year	C	**226.3**	196.3
Total adjusting items charges included in profit before tax		**60.7**	62.4
Total adjusting items credits included in taxation		**(14.6)**	(13.1)
Earnings for adjusted EPS	D	**272.4**	245.6

Statutory EPS measures			
Statutory basic EPS	C/A	**87.6p**	73.5p
Statutory diluted EPS	C/B	**87.2p**	73.2p
Adjusted EPS measures			
Adjusted basic EPS	D/A	**105.5p**	92.0p
Adjusted diluted EPS	D/B	**105.0p**	91.6p

6. Adjusting items

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 revenue and adjusted operating profit of the relevant business segment. The adjusting items at the operating 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.

Restructuring costs and associated impairment losses

The restructuring costs of £25.9m primarily relate to IMI Precision Engineering and were for the Customer First project and the rationalisation of four facilities. These ongoing significant restructuring projects are due to be completed in 2023, with the overall programme expected to be largely complete during 2024, although the Group will always seek and execute projects that improve its competitive position.

Restructuring costs and associated impairment losses of £39.7m were recognised in 2021. These included costs of £35.6m, of which £4.6m related to impairment losses within IMI Precision Engineering, primarily for the rationalisation of a factory in Europe, which was under consultation with the Works Council, and the Customer First project (across a number of businesses), which both simplify the structure of the division and ensures the business structure is aligned to our customer base. In IMI Critical Engineering there were costs of £0.8m relating to the finalisation of the ongoing projects announced in 2020. In IMI Hydronic Engineering there were costs of £3.3m for the finalisation of the ongoing projects announced in 2020 and a new project announced in 2021 to simplify finance processes through a shared service centre in Poland.

Loss on disposal of subsidiary

Following the disposal of IMI Interativa in July 2021, the Group recorded a loss on disposal of £3.8m. Further details are included in Note 12.

Acquired intangible amortisation and other acquisition items

Of the total £33.7m, the acquired intangible amortisation charge was £29.5m (2021: £15.0m) which largely relates to the amortisation of the intangible assets recognised on the acquisitions of Adaptas and Bahr. Other acquisition costs of £4.2m primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the Adaptas IFRS 3 release of the fair value uplift to inventory, recognised to cost of sales. Other acquisition costs of £3.1m for 2021 primarily related to professional fees associated with the acquisition of Adaptas in December 2021.

Exit from Russia

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.

6. Adjusting items (continued)

Taxation

The tax effect of the above items has been recognised as an adjusting item and amounts to £14.6m (2021: £15.1m). 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. In 2021, the impact of this on the Group's deferred tax liabilities of £18.6m was recorded as an adjusting item. A credit of £16.6m due to the release of provisions in respect of exposures related to prior years which are no longer expected to arise, including the closure of open years with tax authorities was also recorded as an adjusting item within the income statement in 2021.

7. Dividend

The directors recommend a final dividend of 17.4p per share (2021: 15.8p) payable on 12 May 2023 to shareholders on the register at close of business on 11 April 2023, which will cost approximately £45.1m (2021: £40.9m). Together with the interim dividend of 8.3p (2021: 7.9p) per share paid in September 2022, this makes a total distribution of 25.7p per share (2021: 23.7p per share). In accordance with IAS10 'Events after the Balance Sheet date', this final proposed dividend has not been reflected in the 31 December 2022 balance sheet.

8. Employee Benefits

The Group has 70 (2021: 70) defined benefit obligations in existence as at 31 December 2022. The Group recognises there is a funding and investment risk inherent within defined benefit arrangements and seeks to continue its programme of closing overseas defined benefit plans where possible and providing in their place appropriate defined contribution arrangements.

The net deficit for defined benefit obligations at 31 December 2022 was £18.9m (2021: surplus of £62.5m). The UK surplus was £28.4m (2021: £129.0m) and constituted 70% (2021: 77%) of the total defined benefit liabilities and 80% (2021: 88%) of the total defined benefit assets. The deficit in the overseas funds as at 31 December 2022 was £47.3m (2021: £66.5m).

	UK £m	Overseas £m	Total £m
Net defined benefit surplus/(obligation) as at 1 January 2022	129.0	(66.5)	62.5
Movement recognised in:			
Income statement	**2.3**	**(6.0)**	**(3.7)**
Other comprehensive income	**(102.9)**	**20.2**	**(82.7)**
Cash flow statement		**8.2**	**8.2**
Exchange	**-**	**(3.2)**	**(3.2)**
Net defined benefit surplus/(obligation) as at 31 December 2022	**28.4**	**(47.3)**	**(18.9)**

9. Cash flow and net debt reconciliation

Reconciliation of net cash to movement in net debt	2022	2021
	£m	£m
Net increase/(decrease) in cash and cash equivalents excluding foreign exchange	11.0	(86.7)
Less: cash acquired/disposed	(10.0)	(1.8)
Net drawdown of borrowings excluding foreign exchange and net debt disposed/acquired	(137.8)	(208.0)
Increase in net debt before acquisitions, disposals and foreign exchange	**(136.8)**	(296.5)
Net cash acquired/disposed	10.0	-
Currency translation differences	(50.6)	(4.5)
Movement in lease liabilities	(11.8)	(5.6)
Movement in net debt in the year	**(189.2)**	(306.6)
Net debt at the start of the year	(622.8)	(316.2)
Net debt at the end of the year	**(812.0)**	(622.8)

Movement in net debt	2022	2021
	£m	£m
Adjusted EBITDA*	**457.0**	403.5
Working capital movements	(85.1)	(50.6)
Capital and development expenditure	(71.3)	(57.5)
Provisions and employee benefit movements**	1.5	(0.5)
Principal elements of lease payments	(32.3)	(30.0)
Other	20.2	9.0
Adjusted operating cash flow *	**290.0**	273.9
Adjusting items	(52.6)	(35.6)
Tax paid	(48.6)	(50.9)
Interest	(19.2)	(12.1)
Derivatives	(8.6)	26.4
Additional pension scheme funding	(3.5)	(7.0)
Free cash flow before corporate activity	**157.5**	194.7
Dividends paid to equity shareholders	(62.2)	(61.8)
Acquisition of subsidiaries	(213.3)	(203.9)
Disposal of subsidiaries	-	0.1
Net purchase of own shares and share buyback programme	(18.8)	(225.6)
Net cash flow (excluding debt movements)	**(136.8)**	(296.5)

*Adjusted profit after tax £272.4m before interest £17.7m, tax £73.7m, depreciation £74.2m, amortisation £18.5m and impairment on property, plant and equipment and non-acquired intangible assets £0.5m.

**Movement in provisions and employee benefits as per the statement of cash flows £13.8m adjusted for the movement in the restructuring provisions £15.3m.

***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.

Reconciliation of adjusted operating cash flow to cash flow statement	2022	2021
	£m	£m
Cash generated from operations	**335.8**	327.1
Principal lease payments	(32.3)	(30.0)
Settlement of transactional derivatives	2.3	(5.9)
Acquisition of property, plant and equipment and non-acquired intangibles	(71.3)	(57.5)
Adjusting items	52.6	35.6
Proceeds from sale of property, plant and equipment	2.9	4.6
Adjusted operating cash flow	**290.0**	273.9

10. Exchange rates

The income statements of overseas operations are translated into sterling at average rates of exchange for the year, balance sheets are translated at year end rates. The most significant currencies are the euro and the US dollar – the relevant rates of exchange were:

	Average Rates		Balance Sheet Rates	
	2022	2021	**2022**	2021
Euro	**1.17**	1.16	**1.13**	1.19
US Dollar	**1.24**	1.38	**1.21**	1.35

The movement in average exchange rates between 2021 and 2022 resulted in a 4% increase to our 2022 revenue and a 4% increase in adjusted operating profit.

If average exchange rates for January 2023 of US$1.23 and €1.14 were projected for the full year and applied to our 2022 results, it is estimated that both revenue and adjusted operating profit would be 2% higher.

11. Acquisitions

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, an estimate has been made of the forecast future sales under pre-existing commercial relationships which have been discounted at an appropriate discount rate to value the commercial relationships and brand intangibles.

The acquisitions have been accounted for as a business combination.

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

- Bahr Modultechnik GmbH (“Bahr”)
- CorSolutions LLC (“CorSolutions”)
- Heatmiser UK Ltd (“Heatmiser”)

Below are summaries of the assets acquired and liabilities assumed and the purchase consideration of:

a) the total of acquisitions;
b) Bahr Modultechnik GmbH (“Bahr”);
c) CorSolutions LLC (“CorSolutions”);
d) Heatmiser UK Ltd (“Heatmiser”); and
e) Prior year acquisitions

As at the date of approval of the financial statements, the acquisition accounting for all prior year acquisitions is complete.

The accounting for all current year acquisitions is provisional, relating to finalisation of the initial consideration which is subject to agreement of certain contractual adjustments and certain other provisional balances.

a) Total of acquisitions

	Total £m
Intangible assets	47.4
Property, plant and equipment	4.9
Inventories	9.4
Trade and other receivables	9.3
Cash and cash equivalents	12.1
Trade and other payables	(7.2)
Current taxation	(1.2)
Deferred taxation	(11.3)
Total identified net assets at fair value	63.4
Goodwill arising on acquisition	153.5
Purchase consideration	216.9

11. Acquisitions (continued)

b) Bahr Modultechnik GmbH ("Bahr")

	Fair value at 9 June 2022 £m
Intangible assets	38.6
Property, plant and equipment	4.7
Inventories	3.1
Trade and other receivables	1.5
Cash and cash equivalents	4.7
Trade and other payables	(1.6)
Current taxation	(1.0)
Deferred taxation	(11.3)
Total identified net assets at fair value	38.7
Goodwill arising on acquisition	49.6
Purchase consideration transferred	88.3

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.

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 £0.9m were recognised in the income statement in 2022.

The revenue and adjusted operating profit included in the income statement for 2022 contributed by Bahr were £7.8m and £1.8m respectively. If the acquisition had taken place on 1 January 2022, Bahr would have contributed revenue and adjusted operating profit of £14m and £4.3m respectively.

c) CorSolutions LLC ("CorSolutions")

	Fair value at 27 October 2022 £m
Intangible assets	8.8
Inventories	0.6
Deferred taxation	-
Total identified net assets at fair value	9.4
Goodwill arising on acquisition	1.7
Purchase consideration	11.1

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. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

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 £nil were recognised in the income statement in 2022.

The revenue and adjusted operating loss included in the income statement for 2022 contributed by Corsolutions were £0.2m and £0.3m respectively. If the acquisition had taken place on 1 January 2022, Corsolutions would have contributed revenue and adjusted operating profit of £1.3m and £0.5m respectively.

11. Acquisitions (continued)

d) Heatmiser UK Ltd ("Heatmiser")

	Fair value at 23 December 2022 £m
Property, plant and equipment	0.2
Inventories	5.7
Trade and other receivables	7.8
Cash and cash equivalents	7.4
Trade and other payables	(5.6)
Current taxation	(0.2)
Total identified net assets at fair value	15.3
Goodwill arising on acquisition	102.2
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.

Due to the timing of the acquisition, the analysis of acquired intangibles has not yet been completed so all of the purchase price aside from the operating balance sheet is allocated to goodwill as permitted when an acquisition is close to a period end. The provisional purchase price allocation will be 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.

There was no revenue and adjusted operating profit contributed by Heatmiser to be included in the income statement for 2022. If the acquisition had taken place on 1 January 2022, Heatmiser would have contributed revenue and adjusted operating profit of £24.0m and £9.5m respectively.

e) Acquisitions in 2021

On 20 December 2021 the Group acquired 100% of the share capital, and associated voting rights, of Adaptas Solutions ("Adaptas") for cash consideration of £203.9m. Adaptas is a manufacturer of mission critical mass spectrometry subsystems and components and is based in North America with facilities in the UK, Australia and China.

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 2021 Annual Report and Accounts in respect of the identified assets acquired and liabilities assumed.

12. 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 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.

	27 May 2022 £m
Net assets disposed	(3.3)
Costs of disposal	(0.9)
Foreign exchange loss reclassified on disposal	(0.6)
Loss on disposal	**(4.8)**
Net cash flow arising on disposal	
Cash costs of disposal	(0.9)
Net cash flow arising on disposal of operations	**(0.9)**

Disposals in 2021

In 2021, the Group disposed of Interativa Industria, Comercio e Representacoes Ltda.

This disposal resulted in a loss of £3.8m and is presented in the income statement as an adjusting item as it meets our definition of adjusting items based on its nature and quantum. The loss on disposal is not disclosed within discontinued operations because this business did not represent a separate major line of business.

A summary of the proceeds received, assets disposed and resulting loss on disposal is included in the table below:

	23 July 2021 £m
Sale consideration	0.2
Net assets disposed	(3.8)
Costs of disposal	(0.1)
Foreign exchange loss reclassified on disposal	(0.1)
Loss on disposal	**(3.8)**
Net cash flow arising on disposal	
Sale consideration	0.2
Cash costs of disposal	(0.1)
Net cash flow arising on disposal of operations	**0.1**

13. Financial information

The preliminary statement of results was approved by the Board on 2 March 2023. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from the 2022 accounts, which are prepared on the same basis as the 2021 accounts. Statutory accounts for 2021 have been delivered to the registrar of companies and those for 2022 will be delivered in due course. Deloitte LLP has reported on the 2022 and 2021 accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its reports and (iii) did not contain statements under section S498(2) or S498(3) of the Companies Act 2006.

This announcement may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, market trends and our product pipeline are forward-looking statements. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made in good faith and based on information available to IMI plc as of the date of the preparation of this announcement. All written or oral forward-looking statements attributable to IMI plc are qualified by this caution. IMI plc does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in IMI plc's expectations. Nothing in this preliminary announcement should be construed as a profit forecast.

This preliminary statement 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.

References in the commentary to revenue, adjusted operating profit and adjusted operating margins, unless otherwise stated, relate to amounts on an adjusted basis before adjusting items as noted on the face of the consolidated income statement.

References to EPS, unless otherwise stated, relate to adjusted basic EPS i.e. after adjustment for the per share after tax impact of adjusting items in Note 6.

Alternative Performance Measures ('APMs') are used in discussions with the investment analyst community and by the Board and management to monitor the trading performance of the Group. We consider that the presentation of APMs allows for users to better assess period-on-period trading performance of the Group. The APMs presented in the Annual Report and Accounts to 31 December 2022 are defined in Note 1.

References to organic growth exclude the impact of exchange rate translation and acquisitions or disposals that are included in adjusted growth figures. The organic growth is derived from excluding any contribution from acquired businesses 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. These organic revenues or profits will then be compared to the organic revenue or profits for the prior period after their re-translation at the current period average exchange rates to provide the organic growth rate. The impact on revenue and adjusted operating profit of movements in foreign exchange, acquisitions and disposals is set out in Note 1.

IMI plc is registered in England No. 714275. Its legal entity identifier ('LEI') number is 2138002W9Q21PF751R30. The person responsible for releasing this announcement on behalf of the Board is Louise Waldek, Company Secretary and Group Legal Director.

The Company's 2022 Annual Report and Notice of the forthcoming Annual General Meeting will be posted to shareholders on 24 March 2023.

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, sustainably, cleanly, efficiently and cost effectively. IMI employs approximately 10,000 people, has manufacturing facilities in 18 countries and operates a global service network. The Company is listed on the London Stock Exchange. Further information is available at www.imiplc.com.