IMI plc
Press Release

28 February 2020

Preliminary results, year ended 31 December 2019

	Adjusted[1]				Statutory		
Continuing operations:	**2019[5]**	2018	Change	**Organic[6]**	**2019**	2018	Change
Revenue	**£1,873m**	£1,907m	-2%	**-3%**	**£1,873m**	£1,907m	-2%
Operating profit[2]	**£266m**	£266m	0%	**-3%**	**£204m**	£232m	-12%
Operating margin[2]	**14.2%**	14.0%	+20bps				
Profit before tax	**£251m**	£251m	0%		**£189m**	£213m	-11%
Basic EPS[3]	**73.2p**	73.2p	0%		**57.6p**	62.5p	-8%
Operating cash flow[4]	**£299m**	£222m	+35%				
Dividend per share	**41.1p**	40.6p	+1%				
Net debt	**£438m**	£405m					

[1] Excluding the effect of adjusting items as reported in the income statement.
[2] Operating profit and margin in 2018 excludes £0.8m non-adjusting restructuring costs.
[3] Statutory amounts for Basic EPS include both continuing and discontinued operations.
[4] Operating cash flow, as described in note 9.
[5] Including IFRS 16 and notional rent accounting changes, see note 1 for further details.
[6] Change shown after adjusting for exchange rates and excluding the impact of acquisitions and disposals and lease accounting changes (see note 1).

Key points

- Results ahead of market expectations.
- Profit improvement initiatives help 60bps second half margin improvement.
- Operating cash flow 35% higher than 2018.
- £27m rationalisation savings for 2019, ahead of expectations.
- Final dividend increased 1%, making a 1% increase for the full year.
- Structural re-organisation plans progressing well.
- Rationalisation charges for 2020 expected to be c.£45m; savings c.£25m.
- Commercial cultural shift driven by Growth Accelerator gaining traction.
- New customer-focused organisational structures bedding-down well.

Lord Smith of Kelvin, Chairman, commented:

"2019 was a year of significant change and progress at IMI. We delivered results ahead of market expectations whilst simultaneously formulating and launching a new strategy for the Group led by our new Chief Executive, Roy Twite. Those plans are both ambitious and achievable and will ultimately deliver improved and sustainable value for our shareholders and wider stakeholders. We are already seeing the benefits from our early actions impacting our results. Finally, we continue to have a strong balance sheet and inherently cash generative operations which provide the resources to invest in organic development and appropriate acquisition opportunities as they arise."

Roy Twite, Chief Executive, added:

"I'm delighted to report good results for 2019, given the anticipated market headwinds. The businesses have made immediate progress with their profit improvement initiatives, resulting in margins for the Group improving in the second half and full year. We have also made a solid start in the pursuit of a new purpose: Breakthrough Engineering for a better world. Each division has taken decisive steps in their long-term, strategic plans to create tremendous value by solving key industry problems and working with the best."

"It is difficult to predict the ultimate impact the coronavirus will have on global supply chains and demand. Based on no worsening of the current situation, we expect first half organic revenues to be lower than the first half of 2019, given the end market weakness in the Factory Automation and Commercial Vehicle sectors. Our continuing business improvement initiatives are expected to enable us to maintain our margins in the first half of the year."

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A live webcast of the analyst meeting taking place today at 08:30am (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 7 May 2020.

Breakthrough Engineering

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Results overview

2019 was a year of important change for the Group. Roy Twite was appointed Chief Executive in May, measures to improve short-term profitability were initiated immediately thereafter, and a new strategy was launched in November. Updates on progress with the strategy appear on page 3 of this announcement. Meanwhile, the results for 2019 are summarised below.

Income statement	2019	2018	Change	Organic change
Adjusted Group revenue	£1,873m	£1,907m	-2%	-3%
Adjusted operating profit	£266m	£266m	0%	-3%
Operating margin	14.2%	14.0%	+20bps	+10bps
Adjusted EPS	73.2p	73.2p	0%	
Cash flow and Balance Sheet				
Adjusted operating cash flow	£299m	£222m	+35%	
Net Debt	£438m	£405m		
Net Debt to adjusted EBITDA	1.2x	1.3x		

- Early profit improvement measures deliver 60bps margin improvement in the second half, despite revenue reduction.
- Foreign exchange impact on revenue was positive by £12m, or 1%.
- PBM acquisition completed on 20 September and contributed £8m and £1m to revenue and profit, respectively.
- Rationalisation charge including impairment losses as expected at £53m; savings higher than expected at £27m.
- Operating cash flow significantly improved at £299m.
- Net debt / EBITDA improved to 1.2x, despite lease accounting change.

Dividend
Reflecting the continued confidence in the Group's prospects, as well as our ambition to build dividend cover, the Board is recommending that the final dividend is increased by 1% to 26.2p (2018: 26.0p) making a total dividend for the year of 41.1p, an increase of 1% over last year's 40.6p.

Outlook
It is difficult to predict the ultimate impact the coronavirus will have on global supply chains and demand. Based on no worsening of the current situation, we expect first half organic revenues to be lower than the first half of 2019, given the end market weakness in the Factory Automation and Commercial Vehicle sectors. Our continuing business improvement initiatives are expected to enable us to maintain our margins in the first half of the year.

Trading environment
IMI Precision continues to deal with cyclical headwinds in Factory Automation and Commercial Vehicle markets, whilst other markets have continued to grow. IMI Critical operates in mixed markets. While some are experiencing good conditions, including LNG and Naval, others are undergoing structural change, like Fossil Power. And IMI Hydronic operates in markets whose prospects remain stable, supported by its significant exposure to environmental legislation, building refurbishment and improvement.

Coronavirus
Our first priority is the health and safety of our employees and our two China sites, in Shanghai, continue to follow all local health recommendations. China represented about 8% of IMI Group revenue in 2019 with a further c.8% potentially affected by either supply-chain sourcing or customer exports into China. IMI continues to actively monitor the situation to ensure we take the necessary steps to protect our employees and work with customers and suppliers to minimise disruption.

Breakthrough Engineering

PBM acquisition

The acquisition of PBM was completed on 20 September 2019. Acquired for a cost of £69m, PBM is a manufacturer of high-quality industrial valves and flow control products and sells into the Pharmaceutical, Chemical and Food Processing industries. The business is already making an impact on the division. Integration is proceeding well and PBM offers exciting opportunities for IMI Critical to expand profitably into new, growth markets.

Environmental, Social & Governance (ESG)

A very substantial proportion of the products we make have a direct and positive impact on the world. All elements of ESG have formed an important part of our management ethos and strategy for many years. Diversity, health & safety, community support and well-established protocols for governance and risk management, all contribute to IMI's robust, sustainable and ethical business model. We also take great care around our own impact on the environment. And we support the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in relation to the disclosure of information about the risks and opportunities presented by climate change.

More information about those various products and solutions – as well as on all of our ESG policies and practices – can be found on our website: www.imiplc.com or in our forthcoming Annual Report.

Strategic progress

In all cases, the divisions are progressing well with their strategies to improve both growth and profitability. In particular, the divisions have clear plans to reach their respective margin targets, as detailed in our IMS presentation in November. Those measures include complexity reduction, material cost savings, productivity gains and value-pricing, all of which have already had a positive impact on results across the Group.

Also fundamental to the Group achieving its strategic ambitions are the initiatives designed to effect a change in culture across the business, driving innovation, customer intimacy and greater commercial accountability throughout the organisation. Our Growth Accelerator programme is already having an impact, stimulating innovation and identifying early commercial opportunities.

Rationalisation charges for 2020 are expected to be c.£45m, with savings of c.£25m in the year (including some impact from prior year projects).

£m	2019	2020	Overall programme
Restructuring charge (including impairment losses)			
IMI Precision Engineering	(31)*	(30)	(75)
IMI Critical Engineering	(19)	(10)	(29)
IMI Hydronic Engineering	-	(5)	(6)
Total charge	**(50)**	**(45)**	**(110)**
Cash impact	(24)	(60)	(105)

£m	2019	2020	Annualised
Benefits			
IMI Precision Engineering	11*	20	35
IMI Critical Engineering	12	5	17
IMI Hydronic Engineering	3*	-	3
Total benefits*	**26**	**25**	**55**

Table above excludes corporate restructuring of £3m in 2019.
*Includes £20m of charge and £1m of benefits from IMI Precision's £75m restructuring programme. £3m of IMI Hydronic benefits relate to prior year programmes.

Breakthrough Engineering

IMI Precision Engineering

The IMI Precision strategic initiatives continue to advance well, with the new customer-focussed business unit structure in place in both Europe and America. Much greater commercial accountability is being driven throughout the organisation, and the introduction of value-added new products is supporting the division's margin delivery. The integration of Bimba remains on-track, with significant benefits expected in 2020 from footprint consolidation.

The previously announced, multi-year £75m restructuring programme is on-track to deliver £35m of annualised benefit. Two factories have already been consolidated, with two more planned for the first half of the year. For 2020, the charge is expected to be c.£30m, with savings of £20m to be delivered in the year.

IMI Critical Engineering

IMI Critical's strategic re-alignment continues to progress well. The introduction of a simpler organisation structure, removing a layer of complexity and cost, is already delivering benefits. The PBM acquisition, which completed in September, is progressing well and provides the division with access into the faster growing Pharmaceutical and Food Processing markets. IMI Critical has also successfully secured its first orders generated through the Growth Accelerator programme which, although still early in the process, highlights the opportunities available as customer intimacy improves. The 20% to 30% of IMI Critical's lower margin business is still under review, with local leadership pursuing rapid improvement actions.

The division's restructuring activity in 2019 supported its performance and delivered in excess of the planned savings. In 2020, additional actions will be taken to further restructure our operations, leading to a charge of c.£10m, and providing savings of c.£5m in 2020.

IMI Hydronic Engineering

IMI Hydronic continues to make good progress toward its published margin targets. As with the other divisions, considerable work has been done to improve customer focus in a business that already enjoys very strong brands and reputation.

The business recently announced plans to optimise its footprint and supply chain. The charge for these initiatives is expected to be c.£5m in 2020 which will generate annualised savings of c.£3m.

Divisional results review

The following review relates to our continuing businesses' performance on an adjusted basis for the year ended 31 December 2019 when compared to the year ended 31 December 2018. References to organic growth are on a constant currency basis and exclude disposals and acquisitions and, in 2019, exclude lease accounting changes.

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.

	2019	2018	Change	**Organic change**
Adjusted revenue	£907m	£916m	-1%	-3%
Adjusted operating profit	£148m	£153m	-3%	-6%
Operating margin	16.3%	16.7%	-40bps	

2019 performance

2019 has been a year of mixed end markets for IMI Precision, but one where the business has nonetheless delivered a robust result.

The division continued to be impacted by weakness in the early-cycle Industrial Automation markets as volumes declined throughout the year, with revenues of £509m being 6% lower than in 2018 on an organic basis. Both Europe and the Americas experienced decline, while Asia Pacific delivered modest growth. Commercial Vehicle revenues grew in the first half but ended the year 2% lower than 2018 on an organic basis at £194m. As expected, the business saw a progressively weakening order and sales pattern during the year, with Commercial Vehicle sales down 13% on an organic basis in the fourth quarter. The Life Sciences, Energy and Rail segments did, however, deliver growth in the year.

Continuing progress is being made with the integration of Bimba into IMI Precision's North American operations and we remain on-track to deliver our targeted returns.

Lower revenue led to the decline in profits for the year. The margin impact was minimised by the successful execution of material cost reductions, value-pricing and restructuring initiatives in the year.

Key achievements

- European and Americas customer-focused organisation structure successfully established.
- Immediate profit improvement actions limited the margin decline from revenue reduction.
- Structural reorganisation plans on track to streamline operations.

Outlook

Reflecting the current market headwinds in Factory Automation and Commercial Vehicle segments, we currently expect organic sales and profits in the first half of 2020 to be c.7% to 10% lower than in the same period in 2019.

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.

	2019	2018	Change	Organic change
Order intake	£697m	£652m	+7%	+5%
Closing order book	£516m	£474m	+9%	
Adjusted revenue	£651m	£682m	-5%	-6%
Adjusted operating profit	£90m	£88m	+2%	-1%
Operating margin	13.8%	12.9%	+90bps	

2019 performance

Critical Engineering has made good progress in the year, whilst successfully balancing the improving conditions in a number of sectors with the expected, continuing structural decline in New Construction Power.

Order Input for the year increased by 5%, on an organic basis. New Construction orders were £333m, 10% higher when compared to 2018 on an organic basis. The business continues to capitalise on the current LNG investment wave, which has helped Oil & Gas orders to return to growth. Fossil Power New Construction orders fell by 25% on an organic basis as expected, although IMI Critical Engineering continues to win the more attractive projects within the segment. Growth in Marine was particularly strong in the year, which helped offset anticipated declines in Petrochemical and Water.

Aftermarket order input was £364m, 2% higher than in 2018 on an organic basis. Both Petrochemical and Nuclear segments performed well, while the Oil & Gas segment delivered modest growth. Power Aftermarket declined 8% on an organic basis, principally because the business could not offset the one-off parts orders which came with New Construction bookings in the prior year. Upgrade Aftermarket orders were particularly strong in the year, delivering 9% organic growth. The closing order book for 2019 was £516m, 9% higher than the previous year, with the mix of orders slightly favouring New Construction.

Organic revenue at £651m was 6% lower than in the previous year – in-line with the opening 2019 order book and with our own, earlier guidance. When the three-month contribution of PBM and a £3m currency benefit are included, adjusted revenue was 5% lower.

Operating profit of £90m was 1% lower than 2018 on an organic basis. The successful execution of the division's reorganisation and profit improvement initiatives contributed to this outcome. The division's margins improved 90bps in the year, despite the fall in overall revenue.

Key achievements

- Order intake growth includes LNG and Marine strength.
- Growth Accelerator programme delivers early wins.
- Good progress with profit improvement initiatives.

Outlook

In the first half of the year we expect some organic sales growth, compared with the same period last year. Margins are also expected to improve, supported by the growth in revenue and further benefits from restructuring.

IMI Hydronic Engineering

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

	2019	2018	Change	**Organic change**
Adjusted revenue	£315m	£309m	+2%	+3%
Adjusted operating profit	£57m	£52m	+9%	+5%
Operating margin	18.0%	16.8%	+120bps	

2019 performance

The majority of the markets in which IMI Hydronic Engineering operates continue to be stable. The division has made further, good progress executing its plans to improve profitability and re-invigorate its platform for sustainable, profitable growth.

Organic revenue was £315m, 3% higher than in 2018. Including the impact of foreign exchange, adjusted revenue was 2% higher. Core markets including Germany, Switzerland and the Nordic region delivered good growth in the year, offsetting some softness elsewhere.

Within the business segments, sales for IMI TA Balancing & Control increased 1%, compared to 2018 on an organic basis. Europe delivered good growth, countering the impact of our exit from lower margin projects. IMI Heimeier thermostatic control products also grew sales by 1% versus 2018 on an organic basis – again reflecting good growth in the core German market offset by the closure of our low margin Turkish business. There was also good progress for IMI Pneumatex water quality products in Switzerland, and successful cross-selling of the Pneumatex range across Europe, supporting 6% higher revenue than in 2018.

The continuing focus on improving profitability delivered an operating margin of 18.0%, 120bps higher than in 2018. Operating profits of £57m for the year were 5% higher than the prior year.

Key achievements

- Solid growth in core German, Swiss and Nordic markets.
- Continued good progress towards 20% margins.
- Supply chain and manufacturing reorganisation to generate £3m annual savings.

Outlook

Given prevailing market conditions, we expect first half organic revenue to show some growth when compared to the same period in 2019, with margin improvement delivered through further efficiency gains.

Board and governance
On 27 November 2019, we announced the appointment of Caroline Dowling as a non-executive director and member of the Nominations and Remuneration Committees with effect from 1 January 2020. Caroline has extensive experience at senior executive level through her successful career in the technology industry, spending much of her career in California.

We also announced that Birgit Nørgaard will step-down from the Board on 29 February. On 1 March 2020 Carl-Peter Forster will succeed Birgit as Chair of the Remuneration Committee. On the same date, Thomas Thune Andersen will become the non-executive director responsible for employee engagement, will join the Audit Committee and will cease to be a member of the Remuneration Committee.

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Financial review

Key highlights

	Adjusted[1]				Statutory		
Continuing operations:	**2019[5]**	2018	Change	**Organic[6]**	**2019**	2018	Change
Revenue	**£1,873m**	£1,907m	-2%	**-3%**	**£1,873m**	£1,907m	-2%
Operating profit[2]	**£266m**	£266m	0%	**-3%**	**£204m**	£232m	-12%
Operating margin[2]	**14.2%**	14.0%	+20bps				
Profit before tax	**£251m**	£251m	0%		**£189m**	£213m	-11%
Basic EPS[3]	**73.2p**	73.2p	0%		**57.6p**	62.5p	-8%
Operating cash flow[4]	**£299m**	£222m	+35%				
Dividend per share	**41.1p**	40.6p	+1%				
Net debt	**£438m**	£405m					

[1] Excluding the effect of adjusting items as reported in the income statement.
[2] Operating profit and margin in 2018 excludes £0.8m non-adjusting restructuring costs.
[3] Statutory amounts for Basic EPS include both continuing and discontinued operations.
[4] Operating cash flow, as described in Note 9.
[5] Including IFRS 16 and notional rent accounting changes, see Note 1 for further details.
[6] Change shown after adjusting for exchange rates and excluding the impact of acquisitions and disposals and lease accounting changes (see Note 1).

Results summary

To facilitate a more meaningful review of performance, certain alternative performance measures (‘APMs’) have been included within this announcement. These APMs are used by the Executive Committee to monitor and manage the performance of the Group. We consider that the presentation of adjusted results allows for improved insight to the trading performance of the Group. Movements in adjusted 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.

The Group delivered a good financial result in the year, as both margins and cash flow improved despite the difficult trading conditions experienced in certain end markets. Revenue decreased by 2% to £1,873m (2018: £1,907m). After adjusting for the favourable exchange rate impact of £12m, the £8m contribution of IMI PBM in 2019 and £9m to represent a full year of Bimba sales in 2018 (as the business was acquired on 31 January 2018, see note 12), organic revenue was 3% lower and reflects the challenging economic markets in IMI Critical and IMI Precision. Statutory revenue decreased by 2% to £1,873m (2018: £1,907m).

IMI Critical completed the acquisition of PBM in September 2019, providing the division access into the growing pharmaceutical and food processing markets. Given the acquisition timing, the impact on the Group’s results for the year was minimal.

Adjusted operating profit of £266m (2018: £266m) was flat and, after removing the impact of exchange rates and the acquisitions of PBM and Bimba, was lower by 3%. The adjusted operating margin was 14.2% (2018: 14.0%) as the Group was able to improve margins despite the market headwinds. Both IMI Critical and IMI Hydronic grew margins in the year, supported by cost and value-pricing initiatives. IMI Precision saw a small margin reduction due to revenue declines in its two largest market segments. Statutory operating profit was £204m (2018: £232m).

Adjusted net financing costs on net borrowings were £14.9m (2018: £12.9m) and includes in 2019 the impact of £2.3m interest cost following the adoption of the new IFRS 16 accounting standard on leases. Adjusted net financing costs were covered 24 times (2018: 25 times) by continuing adjusted earnings before interest, tax, depreciation, amortisation, impairment and adjusting items of £357m (2018: £320m) and included £32m of depreciation on our leased assets in 2019. The net pension financing expense under IAS 19 was £0.5m (2018: £1.4m expense).

Breakthrough Engineering

Adjusted profit before taxation was £251m (2018: £251m), which is flat compared to 2018. Statutory profit before taxation declined 11% to £189m (2018: £213m) as the Group increased its restructuring activities to address current market realities and improve long-term competitiveness.

Adjusting items and discontinued operations

Adjusting Items	2019 £m	2018 £m
Reversal of net economic hedge contract losses	**4**	2
Restructuring costs	**(52)**	(12)
Gains on special pension events	**9**	7
Impairment losses	**(2)**	(2)
Acquired intangible amortisation and other acquisition items	**(21)**	(29)
Gain on disposal of subsidiaries	**-**	1
Gain on disposal of properties	**-**	3
Indirect taxes arising on reorganisation	**-**	(3)
Net financing income/(costs)	**-**	(5)
Tax in connection with the above adjusting items	**17**	9

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

- 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 settlements, are included in the adjusted revenues and operating profit of the relevant business segment with the net gain at £4m (2018: £2m). The adjusting items at the operating level reverse this treatment. The net financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

- The restructuring costs of £52m (2018: £12m) are as a result of a number of significant restructuring projects across the Group. These include a cost and footprint rationalisation program within IMI Precision, £25m in Europe and £5m in the Americas, and cost reduction action within the Central team of £1m. In IMI Critical, adjusted restructuring costs related to a divisional reorganisation of £9m and restructure of the EMEA region of £9m. In addition, there were restructuring costs relating to the Corporate head office and IMI Hydronic of £3m.

- In 2019, gains on special pension events were £9m (2018: £7m). A gain in respect of an accounting adjustment for Swiss disability benefits was recognised for £5m. In addition, within Switzerland there was a gain of £3m in respect of a restructure of the pension benefits and curtailment and settlement gains of £1m.

- In 2019 the Group recorded an adjusting impairment charge of £2m associated with the restructuring programme ongoing in IMI Precision and IMI Critical. In 2018, an impairment of £2m was recognised against the goodwill associated with the IMI Hydronic services companies CGU (Cash Generating Unit) in the IMI Hydronic division.

- Acquired intangible amortisation is excluded from adjusted profits, to allow for better comparability of the performance across divisions. This allows users of the financial statements to gain a clearer understanding of the performance of the business, with the impact of amortisation identified separately in line with internal reporting to management. Acquired intangible amortisation reduced to £20m (2018: £25m). The decrease in 2019 reflects the amortisation of the intangible assets recognised on the acquisition of Bimba in 2018, including the full amortisation of the Bimba order book which contributed £4m to the charge. Also included is a release of the fair value uplift to inventory, recognised as part of the PBM acquisition accounting in accordance with IFRS 3 'Business Combinations', of £1m (2018: £4m relating to the Bimba acquisition).

- A net gain arose on the revaluation of financial instruments and derivatives under IFRS 9 of £0.4m (2018: £5m loss).

- There was a pre and post-tax gain of £3m (2018: nil) from discontinued operations in 2019 relating to the release of an indemnity provision for a historical discontinued operation. There was no cash impact of this.

Taxation

The adjusted effective tax rate for the Group remained at 21% (2018: 21%). The total adjusted tax charge for the year on continuing operations was £53m (2018: £53m). 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 which is available on the Group's corporate website.

Earnings per share

The Board considers that a more meaningful indication of the performance of the Group is provided by adjusted earnings per share. Adjusted basic EPS was 73.2p, flat on last year. Statutory basic EPS decreased by 8% at 57.6p (2018: 62.5p) and statutory diluted EPS decreased by 8% at 57.6p (2018: 62.4p).

Cash flow

Movement in net debt	2019	2018
	£m	£m
Adjusted EBITDA* from continuing operations	**357.3**	320.1
Working capital movements	**12.9**	(50.3)
Capital and development expenditure	**(65.8)**	(58.4)
Provisions and employee benefit movements**	**6.5**	2.3
Principal elements of lease payments	**(31.3)**	-
Other	**19.2**	7.8
Adjusted operating cash flow * **	**298.8**	221.5
Adjusting items****	**(26.2)**	(8.9)
Operating cash flow	**272.6**	212.6
Interest	**(14.9)**	(12.9)
Derivatives	**16.1**	(18.4)
Tax paid	**(40.2)**	(41.1)
Cash generation	**233.6**	140.2
Additional pension scheme funding	**(7.0)**	(10.1)
Free cash flow before corporate activity	**226.6**	130.1
Dividends paid to equity shareholders	**(110.8)**	(107.9)
Acquisition of subsidiaries	**(69.0)**	(122.6)
Net purchase of own shares	**(3.4)**	(5.3)
Net cash flow (excluding debt movements)	**43.4**	(105.7)
Reconciliation of net cash to movement in net borrowings		
Net decrease in cash and cash equivalents excluding foreign exchange	**(19.5)**	(19.7)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	**62.9**	(86.0)
Decrease/(increase) in net debt before acquisitions, disposals and foreign exchange	**43.4**	(105.7)
Net cash/(debt) acquired	**1.0**	(15.0)
Currency translation differences	**12.7**	(18.6)
Movement in lease creditors	**(90.4)**	-
Movement in net borrowings in the year	**(33.3)**	(139.3)
Net borrowings at the start of the year	**(404.5)**	(265.2)
Net borrowings at the end of the year	**(437.8)**	(404.5)

*Adjusted profit after tax (£198.1m) before interest (£15.4m), tax (£52.6m), depreciation (£76.2m) and amortisation (£15.0m).
**Movement in provisions and employee benefits as per the statement of cash flows (£29.2m) adjusted for the movement in the restructuring and discontinued operation provisions (£22.7m).
***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.
**** Cash impact of adjusting items.

Adjusted operating cash flow was £299m (2018: £222m). After the £26m cash outflow from adjusting items (2018: £9m outflow), the operating cash flow was £273m (2018: £213m). This represents a conversion rate of total Group adjusted operating profit against adjusted operating cash flow of 112% (2018: 83%).

Net working capital balances decreased £13m due to a reduction in receivables of £45m as a result good cash collection across the Group. This was partially offset by a decrease in payables of £17m due to overall payment timing and an increase in inventory of £15m. The increase in 2018 of £50m was due to an increase in receivables of £8m, a decrease in payables of £47m offset by a decrease in inventory of £6m.

Cash spent on property, plant and equipment and other non-acquired intangibles in the year was £66m (2018: £58m) which was equivalent to 1.1 times (2018: 1.1 times) depreciation and amortisation thereon. Research and development spend including capitalised intangible development costs of £6m (2018: £7m) totalled £49m (2018: £49m).

In 2019 the Group paid tax of £40m (2018: £41m) which was 76% (2018: 78%) of the adjusted tax charge for the year.

Dividends paid to shareholders totalled £111m (2018: £108m) and there was a cash outflow of £3m (2018: £5m outflow) for net share purchases to satisfy employee share options.

Balance sheet

Net debt at the year-end was £438m compared to £405m at the end of the previous year. The increase reflects the acquisition of PBM during the year and lease liabilities recognised of £90m, partly offset by strong cash generation. The net debt is composed of a cash balance of £88m (2018: £132m), a bank overdraft of £60m (2018: £83m), interest-bearing loans and borrowings of £376m (2018: £454m) and lease liabilities of £90m (2018: nil).

The year-end net debt to adjusted EBITDA ratio was 1.2 times (2018: 1.3 times) based on continuing adjusted EBITDA. At the end of 2019, loan notes totalled £358m (2018: £454m), with a weighted average maturity of 6.3 years (2018: 6.2 years) and other loans including bank overdrafts totalled £78m (2018: £83m). Total committed bank loan facilities available to the Group at the year-end were £300m (2018: £300m), of which £17m (2018: nil) was drawn.

At 31 December 2019, the value of the Group's intangible assets was £619m (2018: £607m). The increase of £12m over the prior year was predominately due to the recognition of intangible assets following the PBM acquisition, offset by the amortisation and impairment charges for the year of £35m and a decrease arising from exchange movements of £27m.

The net book value of the Group's PPE at 31 December 2019 was £271m (2018: £284m). Capital expenditure on PPE amounted to £47m (2018: £38m), with the main capital expenditure focused on a new Japan facility in IMI Critical, which was funded from the sale of the existing older facility in 2018. Including capitalised intangible assets, total capital expenditure was £66m (2018: £58m) and was 1.1 times (2018: 1.1 times) the depreciation and amortisation charge (excluding acquired intangible amortisation and lease asset depreciation) for the year of £59m (2018: £55m).

The net deficit for defined benefit obligations at 31 December 2019 was £31m (2018: £52m deficit). The UK surplus was £48m (2018: £28m surplus) and constituted 76% (2018: 75%) of the total defined benefit liabilities and 88% (2018: 87%) of the total defined benefit assets. The deficit in the overseas funds as at 31 December 2019 was £79m (2018: £80m deficit).

Return on capital employed ('ROCE')

The Group uses ROCE 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 employed. Capital employed is defined as net assets adjusted to remove net debt, derivative assets/liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangibles. ROCE was 11.4% in 2019 (2018: 12.8%) with the reduction partly due to the new IFRS 16 leasing accounting standard, which reduced the measure by 60bps. The figure was also impacted by the acquisition of PBM in September 2019.

Impact of IFRS 16

The Group adopted the modified retrospective approach regarding the new leasing accounting standard IFRS 16. Therefore, the Group has not restated comparative disclosures for the impact of IFRS 16, which came into effect from 1 January 2019. The impact of IFRS 16 is highlighted throughout as required, with further details included in note 1 and note 11.

Acquisitions

Acquisitions are an important part of our strategic growth plans. On 20 September 2019, the Group acquired 100% of the share capital, and associated voting rights, of PBM Inc. (PBM) for a cash consideration of £69.0m. PBM is a market leading manufacturer of ball valves and flow control solutions based in North America and provides IMI Critical with key access into the growing pharmaceutical and specialty chemical markets. The acquisition was funded from our existing banking facilities. PBM contributed sales of £7.5m and profits of £1.1m in 2019 to the Group's results.

In January 2018, the Group acquired 100% of the share capital, and associated voting rights of Bimba Manufacturing Company (Bimba) and its subsidiaries for cash consideration of £138.4m. Bimba is a market leading manufacturer of pneumatic, hydraulic and electric motion solutions based in North America. Bimba is now well integrated into the Group and will provide a great strategic fit with our North American business.

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**	
	2019	2018	**2019**	2018
Euro	**1.14**	1.13	**1.18**	1.11
US Dollar	**1.28**	1.33	**1.32**	1.28

The movement in average exchange rates between 2018 and 2019 resulted in our adjusted 2019 revenue being 1% higher and adjusted operating profit being 1% higher as the average US dollar rate was 4% stronger and the Euro rate was 1% weaker.

If the average exchange rates for January 2020 of US$1.31 and €1.18 were projected for the full year and applied to our 2019 results, it is estimated that both adjusted revenue and profits (including corporate costs) would be 3% lower.

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 effectively manages financial risks in compliance with Board-approved policies. An external audit of the Group Treasury function in 2019 confirmed the effectiveness of controls in the Group Treasury function.

Brexit

The Group generates 5% of sales in the United Kingdom. Whilst not a significant percentage of the Group's revenue, the Group has taken steps to prepare for any potential impacts following the UK's withdrawal from the EU on 31 January 2020. We have fine-tuned our Brexit mitigation plan and continue to hold a Brexit contingency stock of £3m at the year end. Developments are being monitored and further mitigation actions may be taken as appropriate.

Capital allocation & dividend policy

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) in order 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.

The Board is mindful that equity capital cannot be easily flexed and raising new equity would normally be likely only in the context of an acquisition. Debt can be issued and repurchased more easily, but frequent changes lead to high transaction costs and debt holders are under no obligation to accept repurchase offers.

At 31 December 2019, IMI plc (the company) had distributable reserves of £303m (2018: £320m).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

IFRS 16 was adopted on 1 January 2019 without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and on an IAS 17 basis for 2018. Note 1 provides a reconciliation of the two measures.

	Notes	**2019**			2018		
		Adjusted £m	**Adjusting items £m**	**Statutory £m**	Adjusted £m	Adjusting items £m	Statutory £m
Revenue	1	**1,873**		**1,873**	1,907		1,907
Cost of sales		**(1,059)**	**(1)**	**(1,060)**	(1,089)	(4)	(1,093)
Gross profit		**814.4**	**(1.1)**	**813.3**	817.6	(3.7)	813.9
Operating costs		**(548.3)**	**(60.7)**	**(609.0)**	(552.1)	(30.2)	(582.3)
Operating profit	1	**266.1**	**(61.8)**	**204.3**	265.5	(33.9)	231.6
Financial income	3	**4.5**	**13.4**	**17.9**	5.8	16.1	21.9
Financial expense	3	**(19.4)**	**(13.0)**	**(32.4)**	(18.7)	(20.5)	(39.2)
Net financial expense relating to defined benefit pension schemes	8	**(0.5)**	**-**	**(0.5)**	(1.4)	-	(1.4)
Net financial expense		**(15.4)**	**0.4**	**(15.0)**	(14.3)	(4.4)	(18.7)
Profit before tax		**250.7**	**(61.4)**	**189.3**	251.2	(38.3)	212.9
Taxation	4	**(52.6)**	**16.6**	**(36.0)**	(52.8)	9.3	(43.5)
Profit from continuing operations after tax		**198.1**	**(44.8)**	**153.3**	198.4	(29.0)	169.4
Profit from discontinued operations after tax	2	**-**	**2.8**	**2.8**	-	-	-
Total profit for the year		**198.1**	**(42.0)**	**156.1**	198.4	(29.0)	169.4
Earnings per share	5						
Basic - from profit for the year				**57.6p**			62.5p
Diluted - from profit for the year				**57.6p**			62.4p
Basic - from continuing operations				**56.6p**			62.5p
Diluted - from continuing operations				**56.5p**			62.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019		2018	
	£m	**£m**	£m	£m
Profit for the year		**156.1**		169.4
Items that may be reclassified to profit and loss				
Change in fair value of effective net investment hedge derivatives	**2.6**		1.9	
Exchange differences on translation of foreign operations net of hedge settlements and funding revaluations	**(15.4)**		(4.5)	
Fair value gain on available for sale assets	**-**		0.2	
Related tax effect on items that may subsequently be reclassified to profit and loss	**6.0**		(0.3)	
		(6.8)		(2.7)
Items that will not subsequently be reclassified to profit and loss				
Re-measurement (loss)/gain on defined benefit plans	**(0.1)**		11.6	
Fair value loss on equity instruments not held for trading	**-**		(9.8)	
Related taxation effect	**0.1**		(3.5)	
		-		(1.7)
Other comprehensive expense for the year, net of taxation		**(6.8)**		(4.4)
Total comprehensive income for the year, net of taxation		**149.3**		165.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2018	81.8	12.7	174.4	1.0	29.8	307.7	607.4
Profit for the year						169.4	169.4
Other comprehensive income/(expense)				1.8	(4.5)	(1.7)	(4.4)
Total comprehensive income/(expense)				1.8	(4.5)	167.7	165.0
Issue of share capital	-	0.6					0.6
Dividends paid						(107.9)	(107.9)
Share-based payments (net of tax)						7.0	7.0
Shares acquired for:							
employee share scheme trust						(5.9)	(5.9)
As at 31 December 2018	81.8	13.3	174.4	2.8	25.3	368.6	666.2
Changes in equity in 2019							
Profit for the year						**156.1**	**156.1**
Other comprehensive expense				**2.6**	**(9.4)**	**-**	**(6.8)**
Total comprehensive income/(expense)				**2.6**	**(9.4)**	**156.1**	**149.3**
Issue of share capital	**-**	**0.8**					**0.8**
Dividends paid						**(110.8)**	**(110.8)**
Share-based payments (net of tax)						**8.6**	**8.6**
Shares acquired for:							
employee share scheme trust						**(4.2)**	**(4.2)**
As at 31 December 2019	**81.8**	**14.1**	**174.4**	**5.4**	**15.9**	**418.3**	**709.9**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	2019 £m	2018 £m
Assets		
Intangible assets	**618.8**	606.7
Property, plant and equipment	**271.3**	284.4
Right of use assets	**90.1**	-
Employee benefit assets	**47.9**	27.8
Deferred tax assets	**22.2**	17.0
Other receivables	**2.3**	3.2
Total non-current assets	**1,052.6**	939.1
Inventories	**280.8**	272.5
Trade and other receivables	**389.7**	450.3
Other current financial assets	**6.2**	1.0
Current tax	**2.5**	4.0
Investments	**3.6**	3.7
Cash and cash equivalents	**88.2**	132.2
Total current assets	**771.0**	863.7
Total assets	**1,823.6**	1,802.8
Liabilities		
Trade and other payables	**(359.4)**	(390.9)
Bank overdraft	**(60.1)**	(82.6)
Interest-bearing loans and borrowings	**(17.6)**	(78.8)
Lease liabilities	**(25.6)**	-
Provisions	**(39.8)**	(12.5)
Current tax	**(57.7)**	(62.5)
Other current financial liabilities	**(1.9)**	(4.0)
Total current liabilities	**(562.1)**	(631.3)
Interest-bearing loans and borrowings	**(357.9)**	(375.3)
Lease liabilities	**(64.8)**	-
Employee benefit obligations	**(79.2)**	(80.1)
Provisions	**(13.0)**	(14.6)
Deferred tax liabilities	**(27.5)**	(29.8)
Other payables	**(9.2)**	(5.5)
Total non-current liabilities	**(551.6)**	(505.3)
Total liabilities	**(1,113.7)**	(1,136.6)
Net assets	**709.9**	666.2
Equity		
Share capital	**81.8**	81.8
Share premium	**14.1**	13.3
Other reserves	**195.7**	202.5
Retained earnings	**418.3**	368.6
Total equity	**709.9**	666.2

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £m	2018 £m
Cash flows from operating activities		
Operating profit for the year from continuing operations	**204.3**	231.6
Operating profit for the year from discontinued operations	**2.8**	-
Adjustments for:		
Depreciation and amortisation	**110.7**	79.7
Impairment of property, plant and equipment and intangible assets	**1.5**	3.2
Gain on disposal of subsidiaries	**-**	(0.6)
Other acquisition items	**1.1**	3.7
Gain on special pension events	**(8.6)**	(6.8)
Profit on sale of property, plant and equipment	**(0.7)**	(3.0)
Equity-settled share-based payment expense	**8.8**	8.2
(Increase)/decrease in inventories	**(14.7)**	5.5
Decrease/(increase) in trade and other receivables	**44.9**	(8.4)
(Decrease)/increase in trade and other payables	**(17.3)**	(47.3)
Increase/(decrease) in provisions and employee benefits	**29.2**	(7.6)
Cash generated from operations	**362.0**	258.2
Income taxes paid	**(40.2)**	(41.1)
Cash generated from operations after tax	**321.8**	217.1
Additional pension scheme funding	**(7.0)**	(10.1)
Net cash from operating activities	**314.8**	207.0
Cash flows from investing activities		
Interest received	**4.5**	5.8
Proceeds from sale of property, plant and equipment	**7.7**	12.8
Net sale of investments	**-**	0.1
Settlement of transactional derivatives	**(3.5)**	(1.3)
Settlement of currency derivatives hedging balance sheet	**19.6**	(17.1)
Acquisitions of subsidiaries net of cash	**(68.0)**	(137.6)
Acquisition of property, plant and equipment and non-acquired intangibles	**(65.8)**	(58.4)
Net cash from investing activities	**(105.5)**	(195.7)
Cash flows from financing activities		
Interest paid	**(19.4)**	(18.7)
Shares acquired for employee share scheme trust	**(4.2)**	(5.9)
Proceeds from the issue of share capital for employee share schemes	**0.8**	0.6
Net (repayment)/drawdown of borrowings	**(63.9)**	100.9
Principal elements of lease payments	**(31.3)**	-
Dividends paid to equity shareholders	**(110.8)**	(107.9)
Net cash from financing activities	**(228.8)**	(31.0)
Net decrease in cash and cash equivalents	**(19.5)**	(19.7)
Cash and cash equivalents at the start of the year	**49.6**	67.6
Effect of exchange rate fluctuations on cash held	**(2.0)**	1.7
Cash and cash equivalents at the end of the year*	**28.1**	49.6

* Net of bank overdrafts of £60.1m (2018: £82.6m).

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

NOTES RELATING TO THE FINANCIAL STATEMENTS

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 critical flow control solutions that enable vital energy and process industries to operate safely, cleanly, reliably and more efficiently.
IMI Hydronic Engineering – IMI Hydronic Engineering designs and manufactures technologies which deliver optimal and energy efficient heating and cooling systems to the residential and commercial building sectors.

Performance is measured based on adjusted operating profit which is defined in the table below. 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 adjusted revenue and operating profit and are recorded in net financial income and expense for the purposes of the consolidated income statement.

During 2019, management has reviewed and amended the format of the income statement from that used in 2018. Changes have been made to the presentation of the income statement which enhance the users understanding of the Group’s financial performance by presenting gross margin information on the face of the income statement and removing the additional disclosure of non-adjusting restructuring costs. This is a change in presentation only and has no impact on the prior year operating profit and profit after tax.

Alternative Performance Measures (‘APMs’)
To facilitate a more meaningful review of performance, certain alternative performance measures have been included within this announcement. 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 its long-term interests. Movements in adjusted revenue and segmental 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. 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 revenue	These measures are as reported to management and do not include the impact of adjusting items.	See income statement on page 15.
Adjusted profit before tax		
Adjusted net interest cost		
Adjusted earnings per share		See Note 5
Adjusted effective tax rate		
Adjusted EBITDA	This measure reflects adjusted profit after tax before interest, tax, depreciation and amortisation.	See Note 9.
Adjusted operating profit and margin	These measures are as reported to management and do not include the impact of adjusting items and gains and losses on disposal of subsidiaries.	See income statement on page 15 and segmental reporting in Note 1.
Organic growth	This measure removed the impact of adjusting items, acquisitions, disposals, movements in exchange rates and, in 2019 only, the impact of IFRS 16.	
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 and the sale of investments, excluding the cash impact of adjusting items.	See Note 9.
Operating cash flow	These measures are sub-totals in the reconciliation of adjusted EBITDA to Net Debt and are presented to assist the reader to understand the nature of the current year’s cash flows.	See Note 9.
Free cash flow before Corporate activity		

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	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**%**	%
Continuing operations						
IMI Precision Engineering	**907**	916	**148.0**	153.2	**16.3%**	16.7%
IMI Critical Engineering	**651**	682	**90.1**	88.3	**13.8%**	12.9%
IMI Hydronic Engineering	**315**	309	**56.7**	52.0	**18.0%**	16.8%
Corporate costs*	**-**	-	**(28.7)**	(28.0)		
Total adjusted revenue/ operating profit and margin	**1,873**	1,907	**266.1**	265.5	**14.2%**	13.9%
Reversal of net economic hedge contract losses			**4.0**	1.9		
Restructuring costs			**(51.8)**	(12.4)		
Gains on special pension events			**8.6**	6.8		
Acquired intangible amortisation and other acquisition items			**(21.1)**	(28.8)		
Gain on disposal of subsidiaries			**-**	0.6		
Gain on disposal of properties			**-**	3.2		
Impairment losses			**(1.5)**	(2.0)		
Indirect taxes on reorganisation			**-**	(3.2)		
Statutory revenue/operating profit	**1,873**	1,907	**204.3**	231.6		
Net financial expense			**(15.0)**	(18.7)		
Statutory profit before tax from continuing operations			**189.3**	212.9		

* Non-adjusting restructuring costs of £0.8m for the year ended 31 December 2018 which were previously disclosed separately in 2018 are now included in Corporate costs.

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, the impact of IFRS 16, acquisitions and disposals.

	Year ended 31 December 2018				**Year ended 31 December 2019**					
Adjusted revenue	As adjusted	Exchange	Acquisitions	Organic	**As adjusted**	**Acquisitions**	**IFRS 16**	**Organic**	**Adjusted growth (%)**	**Organic growth (%)**
IMI Precision Engineering	916	11	9	936	**907**	**-**	**-**	**907**	**-1%**	**-3%**
IMI Critical Engineering	682	3	-	685	**651**	**(8)**	**-**	**643**	**-5%**	**-6%**
IMI Hydronic Engineering	309	(2)	-	307	**315**	**-**	**-**	**315**	**2%**	**3%**
Total	1,907	12	9	1,928	**1,873**	**(8)**	**-**	**1,865**	**-2%**	**-3%**
Adjusted operating profit										
IMI Precision Engineering	153.2	2.2	0.3	155.7	**148.0**	**-**	**(2.0)**	**146.0**	**-3%**	**-6%**
IMI Critical Engineering	88.3	0.8	-	89.1	**90.1**	**(1.1)**	**(1.1)**	**87.9**	**2%**	**-1%**
IMI Hydronic Engineering	52.0	0.8	-	52.8	**56.7**	**-**	**(1.0)**	**55.7**	**9%**	**5%**
Corporate costs**	(27.2)		-	(27.2)	**(28.7)**	**-**	**2.3**	**(26.4)**		
Total	266.3	3.8	0.3	270.4	**266.1**	**(1.1)**	**(1.8)**	**263.2**	**0%**	**-3%**
Adjusted operating profit margin (%)	14.0%			14.0%	**14.2%**			**14.1%**		

** Corporate costs excludes £0.8m non-adjusting restructuring costs.

1. Segmental information (continued)

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

	2019 Revenue £m	2018 (Restated) Revenue* £m
UK	**90**	90
Germany	**234**	288
Rest of Europe	**494**	519
Total Europe	**818**	897
USA	**440**	427
Rest of Americas	**98**	88
Total Americas	**538**	515
China	**158**	109
Rest of Asia Pacific	**246**	248
Total Asia Pacific	**404**	357
Middle East & Africa	**113**	138
Total statutory revenue	**1,873**	1,907

*2018 has been restated following a change in geographical classification.

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

Sector	2019 Revenue £m	2018 Revenue £m
Industrial Automation**	**509**	525
Commercial Vehicle	**194**	196
Energy	**81**	77
Life Sciences	**81**	77
Rail	**42**	41
IMI Precision Engineering	**907**	916
New Construction	**277**	361
Aftermarket	**374**	321
IMI Critical Engineering	**651**	682
TA	**152**	151
Heimeier	**97**	98
Pneumatex***	**50**	47
Other	**16**	13
IMI Hydronic Engineering	**315**	309
Total statutory revenue	**1,873**	1,907

**2019 Industrial Automation sales disaggregate as Factory Automation of £369m and Process Fluid Control of £140m.
***The Pneumatex service sales of £5m (2018: £4m) have been reclassified from Other to Pneumatex.

2. Discontinued operations

A gain of £2.8m, pre and post-tax, was recognised in the current year relating to the release of an indemnity provision for a historical discontinued operation. There was no cash impact from this.

There was no profit or loss from discontinued operations in 2018.

3. Net financing costs

Recognised in the income statement	2019 Interest £m	2019 Financial Instru-ments £m	2019 Total £m	2018 Interest £m	2018 Financial Instru-ments £m	2018 Total £m
Interest income on bank deposits	**4.5**		**4.5**	5.8		5.8
Financial instruments at fair value						
through profit or loss:						
Other economic hedges						
- current year trading		**7.5**	**7.5**		13.9	13.9
- future year transactions		**5.9**	**5.9**		2.2	2.2
Financial income	**4.5**	**13.4**	**17.9**	5.8	16.1	21.9
Interest expense on interest-bearing loans and borrowings	**(17.1)**		**(17.1)**	(18.7)		(18.7)
Interest expense on lease arrangements	**(2.3)**		**(2.3)**	-		-
Financial instruments at fair value						
through profit or loss:						
Other economic hedges						
- current year trading		**(9.3)**	**(9.3)**		(15.9)	(15.9)
- future year transactions		**(3.7)**	**(3.7)**		(4.6)	(4.6)
Financial expense	**(19.4)**	**(13.0)**	**(32.4)**	(18.7)	(20.5)	(39.2)
Net finance income relating to defined benefit pension schemes	**(0.5)**		**(0.5)**	(1.4)		(1.4)
Net financial expense	**(15.4)**	**0.4**	**(15.0)**	(14.3)	(4.4)	(18.7)

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. For statutory purposes these are required to be 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 adjusted effective tax rate for the Group remained constant at 21% (2017: 21%). The total adjusted tax charge for the year on continuing operations was £53m (2018: £53m). Taxes of £40m (2018: £41m) 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.

5. Earnings per ordinary share

	Key	2019 million	2018 million
Weighted average number of shares for the purpose of basic earnings per share	A	**270.8**	271.0
Dilutive effect of employee share options		**0.4**	0.3
Weighted average number of shares for the purpose of diluted earnings per share	B	**271.2**	271.3
		£m	£m
Statutory profit for the year	C	**156.1**	169.4
Statutory profit from discontinued operations, net of tax		**(2.8)**	-
Continuing statutory profit	D	**153.3**	169.4
Total adjusting items charges included in profit before tax		**61.4**	38.3
Total adjusting items credits included in taxation		**(16.6)**	(9.3)
Earnings for adjusted EPS	E	**198.1**	198.4
Statutory EPS measures			
Statutory basic EPS	C/A	**57.6p**	62.5p
Statutory diluted EPS	C/B	**57.6p**	62.4p
Statutory basic continuing EPS	D/A	**56.6p**	62.5p
Statutory diluted continuing EPS	D/B	**56.5p**	62.4p
Adjusted EPS measures			
Adjusted basic EPS	E/A	**73.2p**	73.2p
Adjusted diluted EPS	E/B	**73.0p**	73.1p

Discontinued earnings per share

Statutory basic discontinued earnings per share were 1.0p (2018: nil). Statutory diluted discontinued earnings per share were 1.0p (2018: nil).

Impact of IFRS 16 on earnings per share

Earnings per share decreased by 0.1p per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16.

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 adjusted revenues and operating profit of the relevant business segment. The adjusting items at the operating level reverse this treatment. The net financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

Restructuring costs

The restructuring costs treated as adjusting items total £51.8m (2018: £12.4m) are as a result of a number of significant restructuring projects across the Group. This includes a restructuring of our European business totalling £24.4m in IMI Precision, £4.6m in the Americas and £1.2m in the divisional central team. In IMI Critical, adjusted restructuring costs related to a divisional reorganisation of £9.2m and restructure of the EMEA region of £9.5m. In IMI Hydronic, there were restructuring costs of £0.3m due to the finalisation of the Global Restructuring Programme initiated in 2018 and there were restructuring costs of £2.6m relating to the Corporate head office.

Adjusting restructuring costs in 2018 included £8.6m relating to the closure of one of our IMI Critical sites in Sweden and right sizing of operations, the Global Restructuring Programme within IMI Hydronic of £2.5m, the finalisation of restructuring projects related to the Swiss Controls & Nuclear business in IMI Critical of £0.7m and the European business in IMI Precision of £0.6m.

Gains on special pension events

During 2019, a gain in respect of an accounting adjustment for Swiss disability benefits was recognised for £4.7m. A gain was recognised in respect of a restructure of the pension benefits in Switzerland resulting in a gain of £2.8m. A curtailment gain of £0.8m was recognised in relation to a restructuring event in Switzerland. A settlement gain of £0.5m was recognised in respect of the buy-out of retirees in Switzerland. Professional fees of £0.2m have been recognised as adjusting associated with ongoing de-risking projects.

6. Adjusting items (continued)

Gains on special pension events (continued)

During 2018, de-risking activities relating to our defined benefit schemes continued including the conversion of certain pension benefits to being non-inflation linked, occurring in the UK which resulted in net gains of £1.4m. Regulatory changes and the completion of a buy out in Switzerland resulted in gains totalling £3.0m. The completion of the transfer of £409m of liabilities covered by insurance policies to the insurance companies through a formal buy-out transaction resulted in a net gain of £2.8m. An expense of £0.4m, arising from the equalisation of the UK defined benefit schemes, has been recognised following the ruling on the test case on Guaranteed Minimum Pensions.

Impairment losses

In 2019, £1.5m impairment losses were recorded as adjusting items relating to impairments of fixed assets associated with the restructuring projects discussed above.

In 2018 the Group recorded an adjusting impairment charge of £2.0m against the goodwill associated with the Hydronic service companies CGU. The carrying value of the goodwill was reassessed after a sales process for the CGU was cancelled.

Acquired intangible amortisation and other acquisition items

For segmental purposes, acquired intangible amortisation is excluded from adjusted profits, to allow for better comparability of the performance across divisions. This allows users of the financial statements to gain a clearer understanding of the performance of the business, with the impact of amortisation identified separately in line with internal reporting to management. Acquired intangible amortisation in 2019 totalled £19.5m (2018: £25.1m).

The decrease in 2019 reflects the one-off full amortisation of the Bimba order book which contributed £3.9m to the charge in 2018.

In 2019 the acquisition of PBM resulted in a fair value uplift to inventory of £1.1m recognised in accordance with IFRS 3 ‘Business Combinations’ as an adjusting item to cost of sales and professional fees of £0.5m.

In 2018 the release of the fair value uplift to inventory, recognised as part of the Bimba acquisition accounting in accordance with IFRS 3 'Business Combinations', of £3.7m was recognised as an adjusting item to cost of sales.

Gain on disposal of subsidiaries

No subsidiaries have been disposed of in 2019. A gain of £0.6m was recognised in 2018 following the expiry of an indemnity provided on a historical disposal.

Gain on disposal of properties

No adjusting gains were realised on the sale of properties in 2019. A gain of £3.2m was recognised in 2018 following the disposal of the IMI Critical site in Seishin Japan. The proceeds of the sale will be used to construct a purpose-built facility in Japan which will allow IMI Critical to better meet customer demand in this region.

Indirect taxes arising on reorganisation

Following a retrospective change to European tax law in 2018 on the transfer of assets a provision of £3.2m to reflect the probable exposure has been recognised. The provision is recognised as an adjusting item in operating profit as it relates to indirect taxes.

Taxation

The tax effects of the above items are included in the adjusting items column of the income statement.

Adjusting items associated with discontinued operations are disclosed in Note 2.

7. Dividend

The directors recommend a final dividend of 26.2p per share (2018: 26.0p) payable on 15 May 2020 to shareholders on the register at close of business on 3 April 2020, which will cost about £71.0m (2018: £70.4m). Together with the interim dividend of 14.9p (2018: 14.6p) per share paid in September 2019, this makes a total distribution of 41.1p per share (2018: 40.6p per share). In accordance with IAS10 'Events after the Balance Sheet date', this final proposed dividend has not been reflected in the 31 December 2019 balance sheet.

8. Employee Benefits

The Group has 71 (2018: 67) defined benefit obligations in existence as at 31 December 2019. 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 2019 was £31.3m (2018: deficit of £52.3m). The UK surplus was £47.9m (2018: £27.8m) and constituted 76% (2018: 75%) of the total defined benefit liabilities and 88% (2018: 87%) of the total defined benefit assets. The deficit in the overseas funds as at 31 December 2019 was £79.2m (2018: £80.1m).

	UK £m	**Overseas £m**	**Total £m**
Net defined benefit surplus/(obligation) as at 1 January 2019	27.8	(80.1)	(52.3)
Movement recognised in:			
Income statement	**0.9**	**2.5**	**3.4**
Other comprehensive income	**12.2**	**(12.3)**	**(0.1)**
Cash flow statement	**7.0**	**6.8**	**13.8**
Other movements	**-**	**3.9**	**3.9**
Net defined benefit surplus/(obligation) as at 31 December 2019	**47.9**	**(79.2)**	**(31.3)**

9. Cash flow and net debt reconciliation

Reconciliation of net cash to movement in net borrowings

	2019 £m	2018 £m
Net decrease in cash and cash equivalents excluding foreign exchange	**(19.5)**	(19.7)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/ acquired	**62.9**	(86.0)
Decrease/(increase) in net debt before acquisitions, disposals and foreign exchange	**43.4**	(105.7)
Net cash/(debt) acquired	**1.0**	(15.0)
Currency translation differences	**12.7**	(18.6)
Movement in lease creditors	**(90.4)**	-
Movement in net borrowings in the year	**(33.3)**	(139.3)
Net borrowings at the start of the year	**(404.5)**	(265.2)
Net borrowings at the end of the year	**(437.8)**	(404.5)

Movement in net debt

	2019 £m	2018 £m
Adjusted EBITDA* from continuing operations	**357.3**	320.1
Working capital movements	**12.9**	(50.3)
Capital and development expenditure	**(65.8)**	(58.4)
Provisions and employee benefit movements**	**6.5**	2.3
Principal elements of lease payments	**(31.3)**	-
Other	**19.2**	7.8
Adjusted operating cash flow* **	**298.8**	221.5
Adjusting items****	**(26.2)**	(8.9)
Operating cash flow	**272.6**	212.6
Interest	**(14.9)**	(12.9)
Derivatives	**16.1**	(18.4)
Tax paid	**(40.2)**	(41.1)
Cash generation	**233.6**	140.2
Additional pension scheme funding	**(7.0)**	(10.1)
Free cash flow before corporate activity	**226.6**	130.1
Dividends paid to equity shareholders	**(110.8)**	(107.9)
Acquisition of subsidiaries	**(69.0)**	(122.6)
Net purchase of own shares	**(3.4)**	(5.3)
Net cash flow (excluding debt movements)	**43.4**	(105.7)
Opening net debt	**(404.5)**	(265.2)
Net debt acquired	**1.0**	(15.0)
Foreign exchange translation	**12.7**	(18.6)
Movement in lease creditors	**(90.4)**	-
Closing net debt	**(437.8)**	(404.5)

* Adjusted profit after tax (£198.1m) before interest (£15.4m), tax (£52.6m), depreciation (£76.2m) and amortisation £15.0m).

** Movement in provisions and employee benefits as per the statement of cash flows (£29.2m) adjusted for the movement in the restructuring and discontinued operation provisions (£22.7m).

*** 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.

**** Cash impact of adjusting items.

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	
	2019	2018	**2019**	2018
Euro	**1.14**	1.13	**1.18**	1.11
US Dollar	**1.28**	1.33	**1.32**	1.28

The movement in average exchange rates between 2018 and 2019 resulted in our adjusted 2019 revenue being 1% higher and adjusted operating profit being 1% higher as the average US dollar rate was 4% stronger and the Euro rate was 1% weaker.

If the average exchange rates for January 2020 of US$1.31 and €1.18 were projected for the full year and applied to our 2019 results, it is estimated that both adjusted revenue and profits (including corporate costs) would be 3% lower.

11. Leases

On adoption of IFRS 16, with effect from 1 January 2019, the Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods. The Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019 which ranged from 0.72% to 6.06% which reflects the range of territories that leases are held in.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in no measurement adjustments to the finance leases held at 1 January 2019. The reconciliation set out below demonstrates the movement from the operating lease commitments disclosed in the 2018 Annual Report and Accounts to the opening lease liability recognised on 1 January 2019.

	2019 £m
Operating lease commitments disclosed as at 31 December 2018	**126.0**
Discounted using the Group's incremental borrowing rate at the date of initial application	**(9.6)**
Add: finance lease liabilities recognised as at 31 December 2018	**0.3**
(Less): changes arising from review of critical lease terms	**(18.1)**
Add: adjustments as a result of a different treatment of extension and termination options	**1.8**
Lease liability recognised as at 1 January 2019	**100.4**
Of which are:	
Current lease liabilities	**27.9**
Non-current lease liabilities	**72.5**
	100.4

All right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

11. Leases (continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	31 Dec 2018 (pre IFRS 16) £m	Impact of IFRS 16 £m	1 January 2019 (including IFRS 16) £m
Right of use assets	-	100.4	100.4
Total non-current assets	**939.1**	**100.4**	**1,039.5**
Lease liabilities	-	(27.9)	(27.9)
Total current liabilities	**(631.3)**	**(27.9)**	**(659.2)**
Lease liabilities	-	(72.5)	(72.5)
Total non-current liabilities	**(505.3)**	**(72.5)**	**(577.8)**
Net assets	**666.2**	**-**	**666.2**

The net impact on retained earnings on 1 January 2019 was nil.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
As at 1 January 2019	83.2	17.2	100.4
Additions	8.0	7.2	15.2
Extensions	13.2	0.6	13.8
Payment changes	(1.8)	(0.4)	(2.2)
Terminations	(5.3)	(0.7)	(6.0)
Depreciation expense	(22.5)	(9.3)	(31.8)
Exchange	0.5	0.2	0.7
As at 31 December 2019	**75.3**	**14.8**	**90.1**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Land and buildings £m	Plant and equipment £m	Total £m
As at 1 January 2019	83.2	17.2	100.4
Additions	8.0	7.2	15.2
Extensions	13.2	0.6	13.8
Payment changes	(1.8)	(0.4)	(2.2)
Terminations	(5.5)	(0.7)	(6.2)
Accretion of interest	2.0	0.3	2.3
Payments	(23.9)	(9.7)	(33.6)
Exchange	0.5	0.2	0.7
As at 31 December 2019	**75.7**	**14.7**	**90.4**
Current	18.7	6.9	25.6
Non-current	57.0	7.8	64.8

11. Leases (continued)

The following are the amounts recognised in the income statement:

	2019 £m
Depreciation expense of right-of-use assets	(31.8)
Interest expense on lease liabilities	(2.3)
Expense relating to short-term leases	-
Expense relating to leases of low-value assets	-
Total amount recognised in profit or loss	**(34.1)**

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

i. reliance on previous assessments on the identification of a lease (per IAS 17) for all existing contracts on the date of initial application;
ii. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
iii. reliance on previous assessments on whether leases are onerous;
iv. the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
v. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

No practical expedient has been applied in relation to short term leases and low value assets and is not expected to be used in subsequent periods.

Changes to accounting policies

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

The lease payments are discounted using the lessee’s incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Future cash outflows that the Group is potentially exposed to in relation to the measurement of lease liabilities which have not been reflected is £nil.

12. Acquisitions

On 20 September 2019 the Group acquired 100% of the share capital, and associated voting rights, of PBM Inc. (PBM) for cash consideration of £69.0m. PBM is a market leading manufacturer of ball valves and flow control solutions based in North America.

This acquisition has been accounted for as a business combination. The provisional fair value amounts recognised in respect of the identified assets acquired and liabilities assumed are set out in the table below:

	Fair value at 20 September 2019 £m
Intangible assets	29.0
Property, plant and equipment	5.2
Inventories	7.1
Trade and other receivables	3.8
Cash and cash equivalents	1.0
Trade and other payables	(2.9)
Total identified net assets at fair value	**43.2**
Goodwill arising on acquisition	25.8
Purchase consideration transferred	**69.0**

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. The goodwill and all intangible assets recognised are amortisable for tax purposes. Acquisition costs of £0.5m were recognised in the income statement in 2019.

The adjusted revenue and adjusted operating profit included in the income statement for 2019 contributed by PBM were £7.5m and £1.1m respectively. If the acquisition had taken place on 1 January 2019 PBM would have contributed revenue and operating profit of £26.1m and £4.1m respectively.

Acquisitions in 2018

On 31 January 2018, the Group acquired 100% of the share capital, and associated voting rights of Bimba Manufacturing Company (Bimba) and its subsidiaries for cash consideration of £138.4m. Bimba is a market leading manufacturer of pneumatic, hydraulic and electric motion solutions based in North America.

This acquisition has been accounted for as a business combination. The finalised fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair value at 31 January 2018 £m
Intangible assets	57.6
Property, plant and equipment	18.8
Inventories	24.3
Trade and other receivables	9.3
Cash and cash equivalents	0.8
Trade and other payables	(10.1)
Provisions	(1.4)
Total identifiable net assets	**99.3**
Goodwill arising on acquisition	39.1
Total purchase consideration	**138.4**

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. The goodwill and all intangible assets recognised are amortisable for tax purposes.

13. Financial information

The preliminary statement of results was approved by the Board on 27 February 2020. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018 but is derived from the 2019 accounts, which are prepared on the same basis as the 2018 accounts. Statutory accounts for 2018 have been delivered to the registrar of companies and those for 2019 will be delivered in due course. Ernst & Young LLP has reported on both the 2018 and 2019 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 improved insight to the trading performance of the Group. We have reviewed the APMs presented as part of the continuous improvement of our external reporting and consider that the term Adjusted, together with an adjusting items category, best reflects the trading performance of the Group. The APMs presented in the Annual Report and Accounts to 31 December 2019 are defined in note 1.

References to organic growth exclude the impact of exchange rate translation and acquisitions or disposals and lease accounting changes 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, and lease accounting changes is set out in note 1.

IMI plc is registered in England No. 714275. Its legal entity identifier ('LEI') number is 2138002W9Q21PF751R30.

The Company's 2019 Annual Report and Notice of the forthcoming Annual General Meeting will be posted to shareholders on 27 March 2020.

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 around 11,000 people, has manufacturing facilities in more than 20 countries and operates a global service network. The Company is listed on the London Stock Exchange. Further information is available at www.imiplc.com.