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Årsredovisning för

# Kynoch Sweden Holding AB

556534-5450

Räkenskapsåret
**2023-01-01 - 2023-12-31**

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**Kynoch Sweden Holding AB**
556534-5450

## Fastställelseintyg

Undertecknad styrelseledamot av Kynoch Sweden Holding AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 17/5 2024
Årsstämman beslöt att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Herrljunga den 2024-05-17

Fredrik Dalqvist
Styrelseledamot

20240705301174

# Förvaltningsberättelse

Styrelsen för Kynoch Sweden Holding AB med säte i Herrljunga avger följande årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

## Verksamheten

*Allmänt om verksamheten*
Företaget är ett dotterföretag till IMI Overseas Investment Ltd (organisationsnummer 00209251) med säte i Birmingham, Storbritannien som ingår i den brittiska industrikoncernen IMI Plc. IMI Plc med organisationsnummer 714275 med säte i Birmingham, Storbritannien upprättar koncernredovisning för den största koncernen. Årsredovisning för IMI Plc tillgänglig via bolagets hemsida.

Kynoch Sweden Holding AB har inte bedrivit någon verksamhet och har inte haft några anställda under året.

IMIs affärsidé är att vara en självklar partner för att skapa energieffektivt inomhusklimat. Genom våra medarbetares kompetens och engagemang tillhandahåller vi produkter och systemkunnande för professionella kunder.

IMI utvecklar och tillverkar i Sverige VVS-produkter för vatten-värme och kylsystem samt brandarmatur. Försäljningen sker i huvudsak genom helägda eller av IMI Plc ägda dotterbolag i en rad länder världen över.

## Väsentliga händelser under räkenskapsåret

Inga väsentliga händelser under räkenskapsåret.

## Flerårsöversikt

| | | | | *Belopp i tkr* |
|---|---|---|---|---|
| | *2023* | *2022* | *2021* | *2020* |
| Nettoomsättning | 0 | 0 | 0 | 0 |
| Resultat efter finansiella poster | 39 727 | 63 454 | 93 988 | 318 100 |
| Soliditet % | 96 | 88 | 88 | 85 |

För definitioner av nyckeltal, se Redovisnings- och värderingsprinciper.

## Förslag till resultatdisposition

Styrelsen föreslår att till förfogande stående vinstmedel

| | *Belopp i kr* |
|---|---|
| Överkursfond | 299 995 000 |
| Balanserad vinst | 252 243 417 |
| Årets resultat | 38 781 225 |
| | **591 019 642** |
| disponeras så att | |
| i ny räkning överföres | 591 019 642 |
| | **591 019 642** |

## Styrelsens yttrande över vinstdispositionen

Styrelsen föreslår att årets resultat balanseras i ny räkning.

Vad beträffar företagets resultat och ställning i övrigt, hänvisas till efterföljande resultat- och balansräkning med tillhörande bokslutskommentarer.

## Förändringar i eget kapital

| | | | | | *Belopp i tkr* |
|---|---|---|---|---|---|
| | **Aktie-kapita** | **Reserv-fond** | **Överkurs-fond** | **Balanserat resultat** | **Årets resultat** |
| Belopp vid årets ingång enligt fastställd balansräkning | 100 030 | 20 | 299 995 | 187 798 | 64 445 |
| Omföring av föregående års resultat | | 0 | 0 | 64 445 | -64 445 |
| Årets resultat | | 0 | 0 | 0 | 38 781 |
| **Belopp vid årets utgång** | **100 030** | **20** | **299 995** | **252 243** | **38 781** |

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# Resultaträkning

| *Belopp i tkr* | *Not* | *2023-01-01-2023-12-31* | *2022-01-01-2022-12-31* |
|---|---|---|---|
| ***Rörelseintäkter, lagerförändringar m.m.*** | | | |
| Övriga rörelseintäkter | *3* | 29 | 116 |
| **Summa rörelseintäkter, lagerförändringar m.m.** | | **29** | **116** |
| | | | |
| ***Rörelsekostnader*** | | | |
| Övriga externa kostnader | | -78 | -63 |
| **Summa rörelsekostnader** | | **-78** | **-63** |
| | | | |
| **Rörelseresultat** | | **-49** | **54** |
| | | | |
| ***Finansiella poster*** | | | |
| Resultat från andelar i koncernföretag | *4* | 35 444 | 63 770 |
| Ränteintäkter från koncernföretag | *5* | 7 378 | 2 373 |
| Räntekostnader och liknande resultatposter | *6* | -3 046 | -2 742 |
| **Summa finansiella poster** | | **39 776** | **63 401** |
| | | | |
| **Resultat efter finansiella poster** | | **39 727** | **63 454** |
| | | | |
| ***Bokslutsdispositioner*** | | | |
| Erhållna koncernbidrag | | 0 | 369 |
| **Summa bokslutsdispositioner** | | **0** | **369** |
| | | | |
| **Resultat före skatt** | | **39 727** | **63 824** |
| | | | |
| Skatt på årets resultat | | -946 | 622 |
| **Årets resultat** | | **38 781** | **64 445** |

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# Balansräkning

| *Belopp i tkr* | *Not* | *2023-12-31* | *2022-12-31* |
|---|---|---|---|
| **TILLGÅNGAR** | | | |
| **Anläggningstillgångar** | | | |
| ***Finansiella anläggningstillgångar*** | | | |
| Andelar i koncernföretag | *7, 8* | 556 445 | 556 445 |
| | | **556 445** | **556 445** |
| **Summa anläggningstillgångar** | | **556 445** | **556 445** |
| **Omsättningstillgångar** | | | |
| ***Kortfristiga fordringar*** | | | |
| Fordringar hos koncernföretag | | 160 891 | 182 048 |
| | | **160 891** | **182 048** |
| **Summa omsättningstillgångar** | | **160 891** | **182 048** |
| **SUMMA TILLGÅNGAR** | | **717 336** | **738 493** |
| **EGET KAPITAL OCH SKULDER** | | | |
| ***Eget kapital*** | | | |
| *Bundet eget kapital* | | | |
| Aktiekapital | | 100 030 | 100 030 |
| Reservfond | | 20 | 20 |
| | | **100 050** | **100 050** |
| *Fritt eget kapital* | | | |
| Överkursfond | | 299 995 | 299 995 |
| Balanserat resultat | | 252 243 | 187 798 |
| Årets resultat | | 38 781 | 64 445 |
| | | **591 019** | **552 238** |
| **Summa eget kapital** | | **691 069** | **652 288** |
| ***Långfristiga skulder*** | | | |
| Skulder till koncernföretag | *9* | 25 287 | 86 013 |
| | | **25 287** | **86 013** |
| ***Kortfristiga skulder*** | | | |
| Skatteskulder | | 946 | 132 |
| Upplupna kostnader och förutbetalda intäkter | | 34 | 60 |
| **Summa kortfristiga skulder** | | **980** | **191** |
| **SUMMA EGET KAPITAL OCH SKULDER** | | **717 336** | **738 493** |

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# Noter

*Belopp i tkr om inget annat anges*

## Not 1 Redovisnings- och värderingsprinciper

***Allmänna upplysningar***
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2016:10, Årsredovisning i mindre aktiebolag (K2). Koncernredovisning upprättas inte med hänvisning till undantaget i ÅRL 7:2. IMI Plc med organisationsnummer 714275 med säte i Birmingham, Storbritannien upprättar koncernredovisning för den största koncernen. Årsredovisning för IMI Plc finns tillgänglig via bolagets hemsida.

***Fordringar, skulder och avsättningar***
Fordringar har värderats till det lägsta av anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Övriga tillgångar, skulder samt avsättningar har värderats till anskaffningsvärden om annat ej anges.

***Poster i utländsk valuta***
Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

***Nyckeltalsdefinitioner***
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

## Not 2 Koncernförhållanden

Företaget är moderföretag men med hänvisning till undantagsreglerna i Årsredovisningslagen 7 kap 2 § upprättas ingen koncernredovisning. Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är IMI Plc med säte i Birmingham, Storbritannien, som även är moderföretag för hela koncernen.

## Not 3 Anställda och personalkostnader

Bolaget har inga anställda och inga löner eller ersättningar har betalats under räkenskapsåret eller jämförelseåret.

## Not 4 Resultat från andelar i koncernföretag

| | *2023-01-012-023-12-31* | *2022-01-01-2022-12-31* |
|---|---|---|
| Anteciperad utdelning | 35 444 | 63 770 |
| **Summa** | **35 444** | **63 770** |

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## Not 5 Ränteintäkter från koncernföretag

| | *2023-01-01-2023-12-31* | *2022-01-01-2022-12-31* |
|---|---|---|
| Ränteintäkter, koncernföretag | 7 378 | 2 373 |
| **Summa** | **7 378** | **2 373** |

## Not 6 Övriga räntekostnader och liknande resultatposter

| | *2023-01-01-2023-12-31* | *2022-01-01-2022-12-31* |
|---|---|---|
| Räntekostnader, koncernföretag | -3 044 | -2 741 |
| Räntekostnader, övriga | -2 | -1 |
| **Summa** | **-3 046** | **-2 742** |

## Not 7 Andelar i koncernföretag

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Ingående anskaffningsvärden | 556 445 | 556 445 |
| **Utgående ackumulerade anskaffningsvärden** | **556 445** | **556 445** |
| | | |
| Ingående nedskrivningar | | |
| Årets nedskrivningar | 0 | 0 |
| **Utgående ackumulerade nedskrivningar** | **0** | **0** |
| | | |
| **Utgående redovisat värde** | **556 445** | **556 445** |

## Not 8 Specifikation av andelar i koncernföretag

| **Namn** | **Kapital-andel** | **Rösträtts-andel** | **Antal andelar** | **Bokfört värde** |
|---|---|---|---|---|
| IMI Hydronic Engineering AB, 556033-6256, Herrljunga | 100% | 100% | 1 000 000 | 556 445 |
| **Summa** | | | | **556 445** |

## Not 9 Långfristiga skulder

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| **Förfaller mellan 1 och 5 år efter balansdagen** | | |
| Skulder till koncernföretag | 25 287 | 86 013 |
| | **25 287** | **86 013** |

## Not 10 Väsentliga händelser efter räkenskapsårets utgång

Inga väsentliga händelser efter balansdagens slut.

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## Underskrifter

Herrljunga den 19/4 - 2024

Fredrik Dalqvist
*Styrelseledamot*

Madeleine Bengtsson
*Styrelseledamot*

Samuel Levin
*Styrelsens ordförande*

Vår revisionsberättelse har lämnats den 6/5 2024

Deloitte AB

Pernilla Rehnberg
Auktoriserad revisor

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Deloitte.

# REVISIONSBERÄTTELSE

**Till bolagsstämman i Kynoch Sweden Holding AB**
**organisationsnummer 556534-5450**

## Rapport om årsredovisningen

### *Uttalanden*

Vi har utfört en revision av årsredovisningen för Kynoch Sweden Holding AB för räkenskapsåret 2023-01-01 - 2023-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Kynoch Sweden Holding ABs finansiella ställning per den 31 december 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

### *Grund för uttalanden*

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Kynoch Sweden Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### *Styrelsens ansvar*

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

### *Revisorns ansvar*

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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## Rapport om andra krav enligt lagar och andra författningar

### *Uttalanden*

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Kynoch Sweden Holding AB för räkenskapsåret 2023-01-01 - 2023-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

### *Grund för uttalanden*

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Kynoch Sweden Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### *Styrelsens ansvar*

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

### *Revisorns ansvar*

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Jönköping den 2024-05-06

Deloitte AB

Pernilla Rehnberg
Auktoriserad revisor

2024082906710



# Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report, which includes the Directors' Report, the Strategic Report, Remuneration Report and Corporate Governance Statement, and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and the parent company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- state for the parent company financial statements whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that the Group and parent company financial statements comply with the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, as appropriate. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' responsibility statement under the Disclosure and Transparency Rules**
We confirm that to the best of our knowledge:

- the Group and parent company financial statements in this Annual Report, which have been prepared in accordance with applicable UK law and with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report (which includes the Directors' Report and the Strategic Report) includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Roy Twite
Chief Executive Officer
29 February 2024

Daniel Shook
Chief Financial Officer
29 February 2024



# Independent Auditor's Report to the members of IMI plc

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:
- the financial statements of IMI plc (the parent company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted International accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies;
- the related notes 1 to 27 for the consolidated financial statements; and
- the related notes C1 to C10 for the parent company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report to the members of IMI plc continued

## 3 Summary of our audit approach

| | |
|---|---|
| Key audit matters | The key audit matters that we identified in the current year were<br><br>– overstatement of revenue through inappropriate cut-off in the Process Automation sector and<br>– inventory valuation<br><br>All key audit matters have remained at a similar risk level to the prior year |
| Materiality | The materiality that we used for the Group financial statements was £15.5 million (2022: £15.0 million) and equates to 4.4% of profit before tax adjusted for restructuring costs |
| Scoping | Full scope audit work was performed on 3 (2022: 3) reporting components, and audits of specified balances and specified audit procedures were undertaken on a further 47 (2022: 45) reporting components. These in-scope components account for 74% (2022: 70%) of Group revenue<br><br>Certain components are loss-making, including those which are solely cost centres. When considering the absolute value of each component's profit or loss for the period, the in-scope components accounted for 73% (2022: 76%) of the absolute value of the Group's total profit or loss before tax |

## 4 Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Group's financing facilities including the nature of facilities, repayment terms, covenants and expected renewal of financing arrangements;
- challenging the assumptions used in the Board approved forecasts by reference to historical performance, the impact of macroeconomic uncertainty, and other supporting evidence such as market data;
- recalculating the amount of headroom in the forecasts (in liquidity terms and against the relevant covenant limits);
- assessing the appropriateness of the sensitivity analysis and reverse stress tests performed by management; and
- assessing the appropriateness of the disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5 Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Overstatement of revenue through inappropriate cut-off in the Process Automation sector

| | |
|---|---|
| Key audit matter description | The Group recognised revenue of £2,196 million (FY22: £2,049 million) principally through the provision of goods and services accounted for under IFRS 15, as described in the Audit Committee Report and note 2c to the financial statements<br><br>We have performed a risk assessment of the Group's revenue streams to understand the revenue cycles across each business. We identified a key audit matter in relation to the risk, due to either fraud or error, of inappropriate cut-off of revenue in the Process Automation sector (see note 4) owing to the fact that more revenue is generated in December as compared to other months in the year |
| How the scope of our audit responded to the key audit matter | We have performed the following procedures to address this key audit matter for in-scope locations within the Process Automation sector:<br><br>• obtained an understanding of and tested the relevant controls over revenue that specifically address the cut-off risk;<br>• assessed the level of credit notes and statutory adjustments raised post year-end (both in FY23 and FY24 to date) to look for evidence of significant reversals of revenue in the subsequent period; and<br>• tested a sample of transactions around the year-end to assess whether revenue was being recognised in the correct period |
| Key observations | We consider the year-end cut-off of revenue recognised in the Process Automation sector to be appropriate |

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# Independent Auditor's Report to the members of IMI plc continued

| 5.2. Inventory valuation | |
|---|---|
| Key audit matter description | The Group's inventory balance as at 31 December 2023 was £437.3 million (FY22: £417.7 million). As described in the Financial Review on page 30 the Group has increased inventories predominantly to fulfil increased orders in the Process Automation sector offsetting the strategic reduction of inventory in other sectors. Inventory valuation is considered a significant accounting matter by the Audit Committee on page 130.<br><br>There is a level of estimation and judgement associated with the Group's excess & obsolete (E&O) inventory provision and inventory absorption. We have identified a key audit matter as inventory valuation risk, including: consideration of the provision for E&O inventory, judgements relating to the manufacturing costs of inventory and overhead absorption; and physical verification of inventory.<br><br>As disclosed in note 15, the provision for E&O inventory as at 31 December 2023 was £59.0 million (FY22: £52.5 million). The Group's provision policy for E&O inventory is determined by considering expected usage levels of inventory, based on historical sales, as well as forward looking judgements such as forecast sales associated with the order book and with new products. Where local management judgement is applied beyond these factors, Group level review and approval is required.<br><br>Judgement is applied to the cost of inventories in order to reflect accurately the manufacturing costs incurred in bringing inventories to their current condition and location. The manufacturing cost primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs. Judgement is also made in relation to inventory turn and the level of costs which are directly attributable to manufacturing. |
| How the scope of our audit responded to the key audit matter | We have performed the following procedures to address this key audit matter:<br>• obtained an understanding of the relevant controls relating to the E&O provision;<br>• challenged whether the assumptions underpinning the judgements applied in determining the E&O provision are aligned to the Group's policy, and assessed whether the policy is being applied consistently across the Group;<br>• challenged the key assumptions concerning overhead absorption by performing tests of details on bills of materials and standard costing;<br>• identified costs directly related to manufacturing which may have been under or over absorbed in the period;<br>• challenged the assumptions concerning normal levels of production, including the inventory turns used to identify the amounts that should be recognised; and<br>• attended physical inventory counts at 25 locations to test, on a sample basis, the existence of inventory and assess for any indicators of impairment. |
| Key observations | Based on our procedures performed, we are satisfied that the carrying value of inventory as at 31 December 2023 is appropriate. |



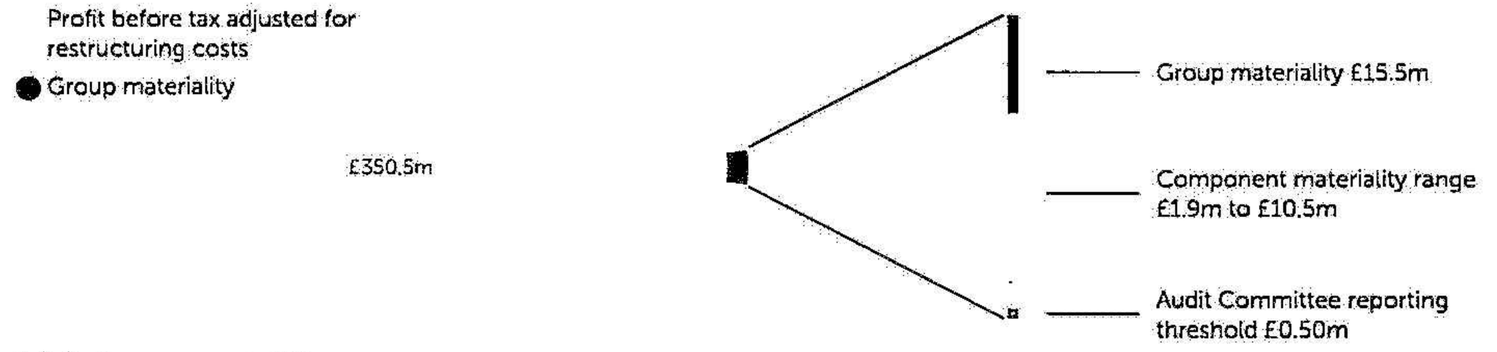
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| Materiality | £15.5 million (2022: £15.0 million) | £10.5 million (2022: £10.6 million) |
| Basis for determining materiality | Forecast profit before tax adjusted for restructuring costs, which equates to 4.4% of profit before tax adjusted for restructuring costs (2022: 4.8% of profit before tax adjusted for restructuring costs). | 1.8% of net assets (2022: 2% of net assets). |
| Rationale for the benchmark applied | Profit before tax adjusted for restructuring costs is a key metric for users of the financial statements and reflects the way business performance is reported and assessed by external users of the financial statements.<br><br>The Group has incurred significant restructuring costs as an adjusting item, therefore we believe it is appropriate to adjust for these costs in determining an appropriate level of materiality. | The parent company does not generate external sales, therefore we have determined net assets to be the appropriate basis. |




### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| Performance materiality | 70% (2022: 70%) of Group materiality | 70% (2022: 70%) of parent company materiality |
| Basis and rationale for determining performance materiality | In determining performance materiality for the Group and parent company, we considered the following factors:<br><br>• our risk assessment, including our assessment of the Group's overall control environment;<br>• the level of oversight at both a Group and platform level over the local entity financial reporting processes;<br>• the low level of corrected and uncorrected misstatements identified in the prior year audit; and<br>• the experience of key management personnel in senior roles at Group, platform and sector levels following the change in the reporting structure of the business as noted on page 106. | |

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £500,000 (2022: £500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

# Independent Auditor's Report to the members of IMI plc continued

## 7 An overview of the scope of our audit

### 7.1. Identification and scoping of components

The Group operates in over 50 locations across the world. As noted on page 7, the Group has restructured the business from three divisions into two platforms, focused on five major market sectors. These five sectors comprise of many individual reporting components which represent the lowest level at which management prepares financial information that is included in the financial statements. The parent company is located in the UK and is audited directly by the Group audit team.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

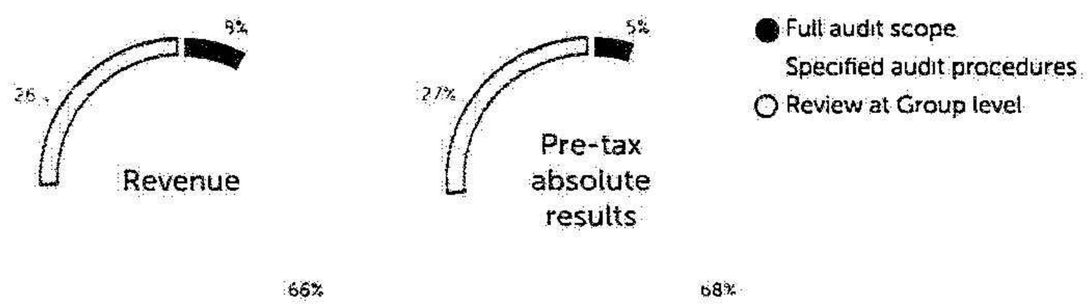
The change in business structure has not impacted our approach to scoping and we focused our Group audit scope across all 5 sectors: Process Automation, Industrial Automation, Life Science and Fluid Control, Transport and Climate Control (previously the three divisions of IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering).

We have considered reporting components based on their contribution to Group revenue and absolute profit or loss, as well as qualitative considerations such as results of recent internal audit reviews undertaken by the Group Assurance function, prior year issues or errors and an understanding of any recent or projected restructuring or relocation activities in specific locations.

As noted in the Audit Committee's Report on page 130 we made an update to the initial scoping plan following management's identification of accounting anomalies at one of the Group's sites. We expanded our scope to include a further two components. To introduce additional unpredictability, we also expanded the scope of our testing in a number of components already within the Group audit scope and extended our central procedures and oversight.

Full scope audit work was completed on 3 (2022: 3) components and audits of specified balances or specified audit procedures were undertaken at a further 47 (2022: 45) components. Each reporting component in scope was subject to an audit materiality level between £1.9 million (2022: £3 million) and £10.5 million (2022: £10.6 million).

These in-scope components account for 74% (2022: 70%) of Group revenue. Certain components are loss-making, including those which are solely cost centres. When considering the absolute value of each component's profit or loss for the period, the in-scope components accounted for 73% (2022: 76%) of the absolute value of the Group's total profit or loss before tax. At a Group level, further substantive audit work was performed over the consolidation, and analytical review procedures were performed over all components not in scope.




### 7.2. Our consideration of the control environment

The Group uses a number of different IT systems across the reporting components and we worked with our IT specialists to obtain an understanding of the general IT controls for relevant systems. Following this, we focused our testing on the five core financial IT systems that underpin the five sectors and which the majority of entities either utilise or plan to migrate to in the future.

Given the disaggregated nature of the Group, we continue to adopt a largely substantive audit approach and did not plan to rely upon controls.

In the current year our controls approach was principally designed to obtain an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment and allow us to test certain relevant revenue controls, as well as automated controls across a number of key business cycles.

As noted on page 134, opportunities for enhancements to the Group's Internal Controls Declaration (ICD) framework have been identified as the Group continues to develop a more robust and granular framework of internal controls, an improvement to the consistency and quality of documentation of internal controls and an increased focus on controls over non-financial information.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

As noted on page 95, the Group has assessed the risk and opportunities relevant to climate change and whilst the Group has not identified a separate principal risk in relation to the potential risk of climate change, it is incorporated into several existing principal risks.

We have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. As noted on page 95, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 61 to 81, and have not identified there to be a material impact on the financial reporting judgements and estimates.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. Our procedures included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

### 7.4. Working with other auditors

The audit work on all components was performed by Deloitte member firms. The component work was performed under the direction and supervision of the Group audit team.

The extent of our involvement, which commenced from the planning phase, included:

- setting the scope of the work to be performed by the component auditors and assessment of their independence;
- designing the audit procedures for all significant risks to be addressed by the component auditors and issuing Group audit instructions detailing the nature and form of the reporting required by the Group engagement team;
- hosting a webinar for all component auditors at the planning stage of the audit to highlight key aspects of the audit instructions and expectations of the Group audit team;
- providing direction on instructions specific to individual components throughout the year, including any scope changes arising from the accounting anomalies referenced in section 7.1, as well as in-person visits by senior members of the Group audit team to 5 sites during the year;
- providing direction on enquiries made by the component auditors through online communications and telephone conversations;
- attending audit planning and close calls at components selected through a risk-based approach; and
- adopting a risk-based approach to the review of specific component auditors' engagement files by senior members of the Group engagement team.

## 8 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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# Independent Auditor's Report to the members of IMI plc continued

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Group Assurance, and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, forensic, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: overstatement of revenue through inappropriate cut-off in the Process Automation sector. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the Listing Rules in the UK, pensions legislation and tax legislation in all relevant jurisdictions where the Group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.





### 11.2. Audit response to risks identified

As a result of performing the above, we identified overstatement of revenue through inappropriate cut-off in the Process Automation sector as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

## 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 102;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 100;
- the directors' statement on fair, balanced and understandable set out on page 172;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 91;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and
- the section describing the work of the Audit Committee set out on page 131.

# Independent Auditor's Report to the members of IMI plc continued

## 14. Matters on which we are required to report by exception

**14.1. Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in this regard.

**14.2. Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in this regard.

## 15. Other matters which we are required to address

**15.1. Auditor tenure**

Following the recommendation of the Audit Committee, we were reappointed by the Board of Directors at the Annual General Meeting on 4 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 31 December 2021 to 31 December 2023.

**15.2. Consistency of the audit report with the additional report to the Audit Committee**

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

## 16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Dean Cook

Dean Cook MA FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

29 February 2024



# Consolidated income statement
## For the year ended 31 December 2023

| | Notes | 2023 Adjusted £m | 2023 Adjusting items (Note 3) £m | 2023 Statutory £m | 2022 Adjusted £m | 2022 Adjusting items (Note 3) £m | 2022 Statutory £m |
|---|---|---|---|---|---|---|---|
| Revenue | 4 | 2,196 | | 2,196 | 2,049 | | 2,049 |
| Cost of sales | | (1,182.1) | (1.6) | (1,183.7) | (1,110.9) | (1.2) | (1,112.1) |
| Gross profit | | 1,013.9 | (1.6) | 1,012.3 | 938.1 | (1.2) | 936.9 |
| Net operating costs | 5 | (603.3) | (90.4) | (693.7) | (574.3) | (64.4) | (638.7) |
| Operating profit | | 410.6 | (92.0) | 318.6 | 363.8 | (65.6) | 298.2 |
| Financial income | 8 | 8.1 | | 8.1 | 4.6 | | 4.6 |
| Financial expense | 8 | (30.8) | | (30.8) | (23.8) | | (23.8) |
| Gains on instruments measured at fair value through profit or loss | | | 7.0 | 7.0 | | 4.9 | 4.9 |
| Net financial (expense)/income relating to defined benefit pension schemes | 14 | (0.5) | | (0.5) | 1.5 | | 1.5 |
| Net financial (expense)/income | | (23.2) | 7.0 | (16.2) | (17.7) | 4.9 | (12.8) |
| Profit before tax | | 387.4 | (85.0) | 302.4 | 346.1 | (60.7) | 285.4 |
| Taxation | 9 | (84.5) | 19.4 | (65.1) | (73.7) | 14.6 | (59.1) |
| Profit after tax | | 302.9 | (65.6) | 237.3 | 272.4 | (46.1) | 226.3 |
| Earnings per share | 7 | | | | | | |
| Basic – from profit for the year | | | | 91.5p | | | 87.6p |
| Diluted – from profit for the year | | | | 91.2p | | | 87.2p |

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

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# Consolidated statement of comprehensive income
## For the year ended 31 December 2023

| | Notes | 2023 £m | 2023 £m | 2022 £m | 2022 £m |
|---|---|---|---|---|---|
| Profit for the year | | | 237.3 | | 226.3 |
| Items that will not subsequently be reclassified to profit and loss | | | | | |
| Remeasurement loss on defined benefit plans | 14 | (33.7) | | (82.7) | |
| Related taxation effect | 9 | 8.6 | | 20.4 | |
| | | | (25.1) | | (62.3) |
| Items that may be reclassified to profit and loss | | | | | |
| Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation | 17 | 6.7 | | (7.5) | |
| (Loss)/gain on exchange differences on translation of foreign operations net of funding revaluations | | (41.1) | | 40.9 | |
| (Gain)/loss on exchange differences reclassified to income statement on disposal of operations | | (0.2) | | 0.6 | |
| Related tax credit/(charge) on items that may subsequently be reclassified to profit and loss | 9 | 1.8 | | (0.3) | |
| | | | (32.8) | | 33.7 |
| Other comprehensive loss for the year, net of taxation | | | (57.9) | | (28.6) |
| Total comprehensive income for the year, net of taxation | | | 179.4 | | 197.7 |
| Attributable to: | | | | | |
| Equity holders of the parent | | | 179.4 | | 197.7 |

# Consolidated statement of changes in equity
## For the year ended 31 December 2023

| | Notes | Share capital £m | Share premium account £m | Capital redemption reserve £m | Translation reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| As at 1 January 2022 | | 78.6 | 15.2 | 177.6 | 10.1 | 497.6 | 779.1 |
| Profit for the year | | | | | | 226.3 | 226.3 |
| Other comprehensive income/(expense) excluding related taxation effect | | | | | 34.0 | (82.7) | (48.7) |
| Related taxation effect | 9 | | | | (0.3) | 20.4 | 20.1 |
| Total comprehensive income | | | | | 33.7 | 164.0 | 197.7 |
| Issue of share capital | 22 | | 1.2 | | | | 1.2 |
| Dividends paid | 10 | | | | | (62.2) | (62.2) |
| Share-based payments (net of tax) | 6 | | | | | 9.8 | 9.8 |
| Shares acquired for: *employee share scheme trust* | | | | | | (20.0) | (20.0) |
| As at 31 December 2022 | | 78.6 | 16.4 | 177.6 | 43.8 | 589.2 | 905.6 |
| Changes in equity in 2023 | | | | | | | |
| Profit for the year | | | | | | 237.3 | 237.3 |
| Other comprehensive expense excluding related taxation effect | | | | | (34.6) | (33.7) | (68.3) |
| Related taxation effect | 9 | | | | 1.8 | 8.6 | 10.4 |
| Total comprehensive (expense)/income | | | | | (32.8) | 212.2 | 179.4 |
| Issue of share capital | 22 | | 0.6 | | | | 0.6 |
| Dividends paid | 10 | | | | | (68.8) | (68.8) |
| Share-based payments (net of tax) | 6 | | | | | 13.4 | 13.4 |
| Shares acquired for: employee share scheme trust | | | | | | | – |
| As at 31 December 2023 | | 78.6 | 17.0 | 177.6 | 11.0 | 746.0 | 1,030.2 |

# Consolidated balance sheet
## At 31 December 2023

| | Notes | 2023 £m | 2022 (Restated Note 1) £m |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 11 | 680.3 | 697.4 |
| Other intangible assets | 11 | 277.4 | 316.7 |
| Property, plant and equipment | 12 | 300.4 | 299.2 |
| Right-of-use assets | 13 | 99.6 | 107.0 |
| Employee benefit assets | 14 | 1.7 | 28.5 |
| Deferred tax assets | 9 | 22.7 | 24.2 |
| Other receivables | | 2.3 | 2.6 |
| **Total non-current assets** | | 1,384.4 | 1,475.6 |
| | | | |
| Inventories | 15 | 437.3 | 417.7 |
| Trade and other receivables | 16 | 523.9 | 483.9 |
| Derivative financial assets | 17 | 12.1 | 15.7 |
| Current tax | | 4.5 | 1.9 |
| Investments | 17 | 1.7 | 2.0 |
| Cash and cash equivalents | 19 | 106.5 | 133.0 |
| **Total current assets** | | 1,086.0 | 1,054.2 |
| **Total assets** | | 2,470.4 | 2,529.8 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 21 | (470.3) | (438.0) |
| Bank overdraft | 19 | (66.3) | (93.8) |
| Interest-bearing loans and borrowings | 19 | (47.2) | (150.1) |
| Lease liabilities | 13 | (25.2) | (25.8) |
| Provisions | 20 | (28.7) | (27.2) |
| Current tax | | (73.0) | (70.4) |
| Derivative financial liabilities | 17 | (10.9) | (13.8) |
| **Total current liabilities** | | (721.6) | (819.1) |
| | | | |
| Interest-bearing loans and borrowings | 19 | (531.4) | (595.4) |
| Lease liabilities | 13 | (75.0) | (79.9) |
| Employee benefit obligations | 14 | (50.6) | (47.4) |
| Provisions | 20 | (13.0) | (15.3) |
| Deferred tax liabilities | 9 | (33.3) | (59.2) |
| Other payables | 21 | (15.3) | (7.9) |
| **Total non-current liabilities** | | (718.6) | (805.1) |
| **Total liabilities** | | (1,440.2) | (1,624.2) |
| **Net assets** | | 1,030.2 | 905.6 |
| | | | |
| Share capital | 22 | 78.6 | 78.6 |
| Share premium | | 17.0 | 16.4 |
| Other reserves | | 188.6 | 221.4 |
| Retained earnings | | 746.0 | 589.2 |
| **Total equity** | | 1,030.2 | 905.6 |

Approved by the Board of Directors on 29 February 2024 and signed on its behalf by

Lord Smith of Kelvin
Chair



# Consolidated statement of cash flows
## For the year ended 31 December 2023

| | Notes | 2023 £m | 2022 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit for the year | | 318.6 | 298.2 |
| Adjustments for | | | |
| Depreciation and amortisation | 11, 12, 13 | 124.4 | 122.2 |
| Impairment/(reversal of impairment) of property, plant and equipment and intangible assets | 11, 12, 13 | 5.2 | (1.6) |
| (Profit)/loss on disposal of subsidiaries | 24 | (0.7) | 4.8 |
| Loss on sale of property, plant and equipment | 12 | 0.5 | 1.7 |
| Equity-settled share-based payment expense | 6 | 12.9 | 11.7 |
| Increase in inventories | 15 | (32.3) | (47.6) |
| Increase in trade and other receivables | 16 | (56.5) | (38.8) |
| Increase in trade and other payables | 21 | 57.5 | 1.3 |
| Decrease in provisions | 20 | (0.1) | (16.0) |
| Increase in employee benefits | 14 | 1.0 | 2.2 |
| Settlement of transactional derivatives | 17 | 8.8 | (2.3) |
| **Cash generated from operations** | | 439.3 | 335.8 |
| Income taxes paid | 9 | (76.1) | (48.6) |
| **Cash generated from operations after tax** | | 363.2 | 287.2 |
| Additional pension scheme funding | 14 | – | (3.5) |
| **Net cash from operating activities** | | 363.2 | 283.7 |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | 8 | 8.1 | 4.6 |
| Proceeds from sale of property, plant and equipment | 12 | 1.6 | 2.9 |
| Settlement of effective net investment hedge derivatives | 17 | 1.0 | (6.3) |
| Acquisitions of subsidiaries net of cash | 23 | – | (201.2) |
| Acquisition of property, plant and equipment and non-acquired intangibles | 11, 12 | (79.9) | (71.3) |
| Proceeds from disposal of subsidiaries net of cash | 24 | 0.1 | (2.1) |
| **Net cash from investing activities** | | (69.1) | (273.4) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | 8 | (30.8) | (23.8) |
| Shares acquired for employee share scheme trust | 22 | – | (20.0) |
| Proceeds from the issue of share capital for employee share schemes | 22 | 0.6 | 1.2 |
| Drawdown of borrowings | 19 | – | 259.1 |
| Repayment of borrowings | 19 | (148.4) | (121.3) |
| Principal elements of lease payments | 13 | (29.0) | (32.3) |
| Dividends paid to equity shareholders | 10 | (68.8) | (62.2) |
| **Net cash from financing activities** | | (276.4) | 0.7 |
| | | | |
| Net increase in cash and cash equivalents | 19 | 17.7 | 11.0 |
| Cash and cash equivalents at the start of the year | 19 | 39.2 | 29.1 |
| Effect of exchange rate fluctuations | | (16.7) | (0.9) |
| **Cash and cash equivalents at the end of the year** | | 40.2 | 39.2 |
| | | | |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents | | 106.5 | 133.0 |
| Bank overdraft | | (66.3) | (93.8) |
| **Cash and cash equivalents at the end of the year** | | 40.2 | 39.2 |

Notes to the cash flow appear in Note 19

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# Notes to the consolidated financial statements

## 1. Basis of preparation

**Introduction**

IMI plc (the Company) is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the UK. The Company financial statements have been prepared in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006 and these are presented on pages 258 to 263. The financial statements were approved by the Board of Directors on 29 February 2024.

**Basis of accounting**

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

The accounting policies described in the notes to the financial statements have been applied consistently throughout the Group for the purposes of these consolidated financial statements.

**i. New or amended UK Endorsed Accounting Standards adopted by the Group during 2023**

Noted below are the amended and new International Financial Reporting Standards, which became effective for the Group as of 1 January 2023, none of which have a material impact on the financial statements:

- Amendments to IFRS 17 Insurance contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

**ii. New and revised accounting standards in issue but not yet effective**

New and revised accounting standards that are in issue but not yet effective are listed below:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

**Going concern**

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. The Group's business activities, together with the factors likely to affect its business development, performance and position, are set out in the Strategic Report. Principal risks are detailed on pages 91 to 99. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements. In addition, Note 18 includes; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. Note 14 to the financial statements addresses the management of the funding risks of the Group's employee benefit obligations.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months (1 March 2025) following the approval of the Annual Report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

During this period of uncertainty, the Group continues to maintain a robust financial position. At 31 December 2023, the Group had cash and cash equivalents of £40.2m and undrawn committed facilities of £300m in the form of Revolving Credit Facilities (RCF), of which £100m is due for renewal in 2024, £75m in 2025, £75m in 2026 and £50m in 2027. Forecasts indicate that the Group can operate within the level of facilities in place, without the need to obtain any new facilities in the twelve-month period following the approval of the Annual Report.

The directors have assessed the viability of the Group (page 100) and reviewed detailed cash flow forecasts for a period of at least twelve months following the date of approval of the Annual Report. After applying a reverse stress test on the Group's banking covenants and making comparisons to the detailed forecasts, the directors have a reasonable expectation that the financial headroom will not be exhausted during this period.

Covenant compliance reviews are undertaken to ensure that the Group remains fully within the covenant limits. Funding covenants currently require EBITDA to be no less than 4.0 times interest and net debt to be no more than 3.0 times EBITDA. Those covenant ratios, at 31 December 2023, were 22.2 times and 1.3 times, respectively.

A reverse stress test shows that for there to be a breach of covenants during the twelve-month period following the approval of the Annual Report, forecast revenue would need to fall by 40% and forecast EBITDA by 63%, after taking into account the mitigating actions that would be undertaken in these circumstances. The mitigating actions include, but are not limited to, reducing working capital, restricting capital expenditure, reducing overhead spend and employee costs and cutting or suspending dividend payments to shareholders.

**Climate Change**

Climate change is considered to be a key element of our overall sustainability roadmap. In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosures on pages 61 to 81. There has been no material impact identified on the financial reporting judgements and estimates.

Overall, sustainability is recognised in the market as a growth driver and a key part of our investment case. This is consistent with our assessment that climate change is not expected to have a detrimental impact on the viability of the Group in the medium-term.

Specifically we note the following:

- The impact of climate change has been included in the modelling to assess the viability and going concern status of the Group, both in terms of the preparation of our Strategic Plan, which underpins our viability statement modelling, and the modelling of our severe, but plausible downside scenarios;
- Our assessment of the carrying value of goodwill and intangible assets included consideration of scenario analysis of potential climate change on our end markets and this did not introduce a set of circumstances that could reasonably lead to an impairment; and
- The impact on the carrying value and useful lives of tangible assets has been considered and while we continue to invest in projects to reduce our carbon impact, there is not considered to be a material impact on our existing asset base.

# Notes to the consolidated financial statements continued

## 1 Basis of preparation continued

**Restatements**
2022 comparatives have been restated to reflect the impact of the following items

**Adjustments arising on prior year acquisitions**
In finalising the accounting for the 2022 acquisitions of CorSolutions and Heatmiser, 2022 goodwill was decreased by £36 3m at 31 December 2022 and allocated to Other intangible assets (increase of £46 2m), Inventories (increase of £1 4m) Trade and other receivables (decrease of £1 0m) Trade and other payables (decrease of £1 7m), Deferred tax (decrease of £11 6m) and Current tax (decrease of £0 4m) Refer to Note 23, which shows a reconciliation between the 2022 Consolidated Balance Sheet as disclosed in the 2022 Annual Report and the restated 2022 Consolidated Balance Sheet as disclosed on page 186

**Adjustments arising on changes in structure**
On 28 July 2023 the Group announced a structure change whereby the existing divisional structure, including IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering will now report under two platforms, Automation and Life Technology Industrial Automation (formerly part of the IMI Precision Engineering division) and Process Automation (formerly IMI Critical Engineering) will form the Automation platform and Climate Control (formerly IMI Hydronic Engineering) Transport and Life Science & Fluid Control (both formerly part of the IMI Precision Engineering division) will form the Life Technology platform Rail, which was previously reported under Transportation, has been re-presented within Industrial Automation As part of the 2022 restatement, corporate costs of £15 5m have been allocated to Automation and £9 9m has been allocated to Life Technology Refer to Note 4, which shows the restated segmental analysis under the two new platforms

## 2 Significant accounting policies

Where appropriate the significant accounting policies are presented in the note to which it applies to aid the reader s understanding of their application Set out below are the significant accounting policies that do not have a specific note

**A Subsidiaries**
The Group financial statements consolidate the financial statements of IMI plc and the entities it controls (its subsidiaries) for the year to 31 December 2023 The Group has no significant interests which are accounted for as associates or joint ventures

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies All intragroup balances and transactions including unrealised profits arising from them are eliminated in full

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction If the Group loses control over a subsidiary it

- derecognises the assets (including any goodwill relating to the subsidiary) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- derecognises the cumulative translation differences recorded in equity,
- recognises the fair value of the consideration received,
- recognises the fair value of any investment retained,
- recognises any surplus or deficit in profit or loss, and
- reclassifies the parent s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Taxation on the above accounting entries would also be recognised, where applicable

**B Use of critical judgements and key sources of estimation uncertainty**
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets liabilities income and expenses Actual results may differ from these estimates

**i. Critical judgements**
The critical judgements are the identification of the Alternative Performance Measures as disclosed in Note 3

**ii. Key sources of estimation uncertainty**
The Group bases its assumptions and estimates on information available when the consolidated financial statements are prepared Market changes or circumstances arising beyond the control of the Group are reflected in the assumptions and estimates when they occur Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in Note 14 Retirement benefits

**iii. Changes in critical judgements and key sources of estimation uncertainty**
Management has reassessed the critical judgements and key sources of estimation uncertainty presented in the 2022 Annual Report and concluded that the determination of a lease term previously considered a critical judgement is no longer considered critical on the basis that the financial impact of revising lease terms to reflect the effect of exercising extension or termination options is no longer materially significant

**C Revenue recognition**
Revenue is recognised when obligations under the terms of a contract with our customer are satisfied This generally occurs when the goods are transferred or the services are provided to our customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services Sales and other taxes collected from customers are excluded from revenue The nature of the equipment valve and other contracts into which the Group enters means that

- the contracts usually contain distinct performance obligations, each of which transfers control of the goods to the customer Where such distinct performance obligations are present, revenue is recognised on each element in accordance with the policy on the sale of goods and
- the service element of the contract is usually insignificant in relation to the total contract value and is often provided on a short-term or one-off basis Where this is the case, revenue is recognised when the service is complete

As a result of the above, the significant majority of the Group's revenue is recognised on a sale of goods basis Each of the platform s revenue streams set out in Note 4 can consist of the sale of goods, the provision of services or a combination of the two The specific methods used to recognise the different forms of revenue earned by the Group are set out below

**i. Sale of goods**
Revenue from the sale of goods is recognised in the income statement net of returns trade discounts and volume rebates when control has been transferred to our customer No revenue is recognised where recovery of the consideration is not probable or if there are significant uncertainties regarding associated costs or the possible return of goods

In Climate Control, the amount of consideration received and the revenue recognised varies in line with discounts and promotions offered to our customers and their customers The level of estimation uncertainty associated with variable consideration is minimal, as discounts and rebates are accounted for at the point of sale and adjusted as required at each financial year-end

The timing of the transfer of control to our customer varies depending on the nature of the products sold and the individual terms of the contract of sale Sales made under internationally accepted trade terms Incoterms 2020, are recognised as revenue when the Group has completed the primary duties required to transfer control as defined by the International Chamber of Commerce Official Rules for the Interpretation of Trade Terms Sales made outside Incoterms 2020 are generally recognised on delivery to the customer In limited instances a customer may request that the Group retains physical possession of an asset for a period after control has been transferred to the customer In these circumstances, the Group provides this storage as a service to the customer and, therefore revenue is recognised prior to delivery of the asset

## 2. Significant accounting policies continued

**ii. Rendering of services**

Servicing relates to repairs and maintenance activity that is completed at our customer sites within our installed base. Revenue from the rendering of services is usually insignificant in relation to the total contract value and is generally provided on a short-term or one-off basis. Accordingly, revenue is usually recognised when the service is complete.

Where this is not the case, revenue from services rendered is recognised in proportion to the stage of completion of the service at the balance sheet date.

The stage of completion is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured. Installation fees are similarly recognised by reference to the stage of completion on the installation unless they are incidental to the sale of the goods, in which case they are recognised when the goods are sold.

**iii. Combined services and goods**

When a transaction combines a supply of goods with the provision of a significant service, distinct performance obligations are identified and recognised in line with the applicable policy. Revenue from a service that is incidental to the supply of goods is recognised at the same time as the revenue from the supply of goods.

**D. Foreign currencies**

**i. Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies have been translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translating transactions at the exchange rate ruling on the transaction date are reflected in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Sterling at foreign exchange rates ruling at the balance sheet date.

**ii. Foreign operations**

The income statements of overseas subsidiary undertakings are translated at the appropriate average rate of exchange for the year, and the adjustment to year-end rates is taken directly to reserves.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the balance sheet date.

Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity. Since 1 January 2004, the Group's date of transition to IFRS, such differences have been recognised in the translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.



**E. Financial instruments and fair value hedging**

Financial instruments are initially recorded at fair value plus directly attributable transaction costs unless the instrument is a derivative not designated as a hedge (see below). Subsequent measurement depends on the designation of the instrument, which follows the categories in IFRS 9:

- short-term borrowings and overdrafts are classified as financial liabilities at amortised cost;
- derivatives, comprising interest rate swaps, foreign exchange contracts and options, metals futures contracts and any embedded derivatives, are classified as 'fair value through profit or loss' under IFRS 9, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in net financial income or expense;
- long-term loans and other interest bearing borrowings are generally held at amortised cost using the effective interest rate method. Where the long-term loan is hedged, generally by an interest rate swap, and the hedge is regarded as effective, the carrying value of the long-term loan is adjusted for changes in fair value of the hedge;
- trade receivables are stated at cost as reduced by appropriate impairment allowances for expected irrecoverable amounts;
- trade payables are stated at cost;
- financial assets and liabilities are recognised on the balance sheet only when the Group becomes a party to the contractual provisions of the instrument; and
- fair value through other comprehensive income (FVTOCI) financial instruments are carried at fair value with gains and losses being recognised in equity, and represent investments.

**i. Derecognition of financial instruments**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one, with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.





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2 Significant accounting policies continued

ii. Derecognition of hedging arrangements
The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

F. Other hedging
i. Hedge of monetary assets and liabilities, financial commitments or forecast transactions
Where a derivative financial instrument is used as an economic hedge of the foreign exchange or metals commodity price exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IFRS 9, no hedge accounting is applied and any gain or loss resulting from changes in fair value of the hedging instrument is recognised in net financial income or expense.

Where such a derivative is a formally designated hedge of a forecast transaction for accounting purposes, movements in the value of the derivative are recognised directly in other comprehensive income to the extent the hedge is effective. The Group assesses the effectiveness of the hedge based on the expected fair value of the amount to be received and the movement in the fair value of the derivative designated as the hedge.

For segmental reporting purposes, changes in the fair value of economic hedges that are not designated hedges, which relate to current year trading, together with the gains and losses on their settlement, are allocated to the operating profit of the relevant business segment.

ii. Hedge of net investment in foreign operations
Where a foreign currency liability or derivative financial instrument is a formally designated hedge of a net investment in a foreign operation, foreign exchange differences arising on translation of the foreign currency liability or changes in the fair value of the financial instrument are recognised directly in equity via other comprehensive income, to the extent the hedge is effective. The Group assesses the effectiveness of its net investment hedges based on fair value changes of its net assets, including relevant goodwill designated as foreign currency assets, and the fair value changes of both the debt designated as a hedge and the relevant financial instrument.

G. Investments not held for trading
Investments that are designated as being not held for trading are initially recognised at fair value. Subsequently, the fair value of the investment is reassessed at each balance sheet date, with movements in the fair value recognised in other comprehensive income. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

H. Discontinued operations
When the Group has assets and liabilities that have been sold in the year or are likely to be sold rather than being held for continuing use, these assets and liabilities are included in current assets and liabilities and denoted 'held for sale' rather than in their usual categories. They are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on the initial classification of assets held for sale are included in the income statement, even for assets measured at fair value, as are impairment losses on subsequent remeasurement and any reversal thereof. Once classified as held for sale, assets are no longer depreciated or amortised.

If they represent a significant enough proportion of the Group, they are also treated as discontinued operations. A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of, is held for sale or is a subsidiary acquired exclusively with a view to resale. This means that their trading performance, i.e. their revenues, costs and other items of income and expense, are no longer reported within the headline figures in the income statement and are instead reported in a separate line, net of tax, called 'discontinued operations'. These amounts no longer form part of continuing earnings per share. Comparative figures are re-presented to be shown on the same basis.

This enables the income statement for the current and prior year to be presented on a consistent basis and to convey a more forward-looking version of the results for the year.



3 Alternative performance measures (APMs) and adjusting items

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

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

The adjusting items in the income statement and the reasons these are considered to be adjusting items are detailed below:

- Costs associated with major restructuring projects – these costs are reported as adjusting items on the basis that they are significant in quantum, relate to specific, approved strategic initiatives following reviews of our organisation structure during the period and to provide stakeholders with comparability of underlying results from one period to the next, including dual running costs. Restructuring costs that are not considered to be major or one-off are included within underlying results in the Consolidated Income Statement.
- Impairment losses – impairment losses treated as adjusting items include those which are large in quantum or one-off in nature and, as a result, are not considered to be usual operating costs of the Group. In addition to this, impairment losses associated with major restructuring projects are considered to be part of the overall project and therefore follow the same treatment as restructuring projects, as described above. Impairment losses incurred, which are not significant or do not form part of a major restructuring project are recorded as adjusted items. All impairment losses recorded as adjusting items in the current and prior period relate to restructuring projects treated as adjusting items.
- Gains and losses on property disposals – significant quantum gains and losses on property disposals are not considered to relate to the underlying trading of the business and are therefore treated as adjusting items. All gains and losses on property disposals associated with major restructuring projects are considered to be part of the overall project and therefore follow the same treatment as restructuring projects, as described above.
- Acquired intangible amortisation – the amortisation charge is not considered to be related to the underlying performance of the Group and can fluctuate materially period-on-period as new businesses are acquired. All acquired intangible amortisation is treated as an adjusting item due to its nature. The trading results of acquired businesses are included in the adjusted results.
- Gains and losses on disposal of subsidiaries – due to their one-off nature and large quantum, gains and losses on disposals are treated as adjusting items. If these gains or losses are not considered to be one-off or material, these amounts would be included within underlying results. This also includes the impact of the exit from Russia – the loss on disposal of the Group's Russian subsidiary and impairment of assets related to Russian contracts.
- The reversal of gains and losses on economic hedges – gains and losses on economic hedges are treated as an adjusting item on a qualitative basis. The adjusting item reverses the treatment taken locally by the Group's businesses, where the impact of foreign currency forwards and commodity hedges are booked at the hedged rate in the adjusted results of the local businesses. In compliance with IFRS 9 'Financial Instruments', these do not meet the requirement of an effective hedge and are therefore adjusted to be booked at the spot rate. The recognition of the gain and losses on the hedged items is recorded as a financing item, including any unrealised gains and losses.
- Other acquisition costs – for an acquired business, the acquisition costs which are primarily advisor and legal fees and the one-off write-off of the inventory uplift to fair value do not reflect trading performance and so are treated as adjusting items to ensure consistency between periods.
- Special pension events – due to their one-off nature and typically large quantum, special pension events are treated as adjusting items. Special pension events which are not significant are recorded as adjusting items. There are no special pension events recorded as adjusting items in the current or prior period.
- Tax effect on adjusting items above – any tax effect of the above items is treated as an adjusting item.
- Other tax items – an assessment is made, on a case-by-case basis, for one-off tax items which significantly impact the Group's results to determine whether the item should be treated as an adjusting item.

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# Notes to the consolidated financial statements continued

## 3. Alternative Performance Measures (APMs) & adjusting items continued

The policies outlined above are consistent with the policies adopted in the previous period.

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.

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

**Critical judgement**
Management have applied judgement in the identification of the APMs used in the Annual Report. The APMs presented are used in discussions with the investment analyst community and by the Board and management to monitor the trading performance of the Group.

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 183. |
| 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 183. |
| Adjusted earnings per share | Adjusted earnings per share is defined within the table in Note 7. | ⊕ See Note 7. |
| 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 9. |
| Adjusted EBITDA | This measure reflects adjusted profit after tax before interest, tax, depreciation, amortisation and impairment. | ⊕ See Note 19. |
| Adjusted operating profit | Adjusted operating profit is statutory operating profit before adjusting items as shown on the income statement. | ⊕ See income statement on page 183 and segmental reporting in Note 4. |
| Adjusted operating margin | Adjusted operating margin is adjusted operating profit divided by revenue. | |
| Adjusted net financing costs | Adjusted net financing costs is interest received and interest paid including the impact on interest costs on leases before gains on instruments measured at fair value through profit or loss (other economic hedges) and net financial income relating to defined benefit pension schemes. | |
| Organic revenue growth<br>Organic adjusted operating profit | These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates and are reconciled in Note 4. | |
| 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 19. |
| Net debt | Net debt is defined as the cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities. | ⊕ See Note 19. |
| 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 19. |
| Return on invested capital (ROIC) | This measure takes adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets and liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangible assets. | |
| Cash conversion | Cash conversion is the adjusted operating cash flow as a percentage of the adjusted operating profit. | |

Outlined below are the adjusting items impacting the current and prior year results.

| | Key | 2023 £m | 2022 £m |
|---|---|---|---|
| **Recognised in arriving at operating profit** | | | |
| Reversal of net economic hedge contract (gains)/losses | (a) | (8.3) | 3.0 |
| Restructuring costs | (b) | (48.1) | (25.9) |
| Acquired intangible amortisation and other acquisition costs | (c) | (33.6) | (33.7) |
| Exit from Russia | (d) | (2.0) | (9.0) |
| | | (92.0) | (65.6) |
| **Recognised in net financial expense** | | | |
| Gains on instruments measured at fair value through profit or loss | (a) | 7.0 | 4.9 |
| **Recognised in taxation** | | | |
| Tax impact of adjusting items above | (e) | 19.4 | 14.6 |

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

(b) **Restructuring costs** – restructuring costs of £48.1m were recognised in 2023. The Automation platform incurred costs of £30.6m related to the rationalisation of three facilities. The Life Technology platform incurred costs of £17.5m related to the Customer First reorganisation project, which transforms the structure into customer-led sectors (across a number of businesses), and the rationalisation of three facilities. The benefits of the restructuring programme are included in adjusted operating profit. These ongoing significant restructuring projects are due to be completed in 2024.

Restructuring costs of £25.9m were recognised in 2022. These primarily related to Automation and were for the Customer First project, across a number of businesses and the rationalisation of four facilities.

## 3 Alternative Performance Measures (APMs) and adjusting items continued

(c) **Acquired intangible amortisation and other acquisition costs** – the acquired intangible amortisation charge was £32.0m (2022: £29.5m) which largely relates to the amortisation of the intangible assets recognised on the acquisition of Adaptas Solutions, Heatmiser UK Ltd and Bimba Manufacturing Company. Other acquisition costs of £1.6m for the year ended 31 December 2023 are related to the unwind of the inventory fair value uplift adjustment for Heatmiser. Other acquisition costs of £4.2m for the year ended 31 December 2022 primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the unwind of the inventory fair value uplift adjustment for Adaptas.

(d) **Exit from Russia** – During 2023, changes were made to the legal structure of a customer, which resulted in a £2m write-off. In 2022, the Group's decision to end all new business in Russia resulted in a charge of £9.0m. The Group recorded a loss on disposal of its Russian subsidiary of £4.8m. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

(e) **Taxation** – the tax effect of the above items has been recognised as an adjusting item and amounts to £19.4m (2022: £14.6m).

## 4 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.

On 28 July 2023, the Group announced a structure change where the existing divisional structure, including IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering, now reports under two platforms, Automation and Life Technology, to better align IMI to its key sectors and to help position IMI to accelerate growth.

**Automation**
The Automation business leverages deep automation technology and applications expertise to improve productivity, safety and sustainability in the Process Automation and Industrial Automation sectors.

**Life Technology**
The Life Technology business focuses on technologies that enhance and improve everyday life, particularly in the areas of health, sustainability and comfort across the Climate Control, Transport and Life Science & Fluid Control sectors.

Performance is measured by the Executive Committee, based on adjusted operating profit and organic revenue growth, which are defined in Note 3. These two measures represent the two short-term key performance indicators for the Group.

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

The following table illustrates how the results for the segments reconcile to the overall results reported in the income statement. 2022 results have been restated to reflect the structure change described in Note 1.

The following table shows a reconciliation of platform adjusted operating profit to statutory operating profit. 2022 results have been restated to reflect the structure change described in Note 1.

| | Automation | | Life Technology | | Total | |
|---|---|---|---|---|---|---|
| | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m |
| Revenue | 1,350 | 1,248 | 846 | 801 | 2,196 | 2,049 |
| Adjusted operating profit | 257.3 | 225.3 | 153.3 | 138.5 | 410.6 | 363.8 |
| Adjusted operating profit margin (%) | 19.1% | 18.1% | 18.1% | 17.3% | 18.7% | 17.8% |
| | | | | | | |
| Reconciliation to statutory operating profit | | | | | | |
| Reversal of net economic hedge contract losses/(gains) | (7.5) | 1.0 | (0.8) | 2.0 | (8.3) | 3.0 |
| Restructuring costs | (30.6) | (15.9) | (17.5) | (10.0) | (48.1) | (25.9) |
| Acquired intangible amortisation and other acquisition items | (14.9) | (16.2) | (18.7) | (17.5) | (33.6) | (33.7) |
| Exit from Russia | (2.0) | (5.9) | – | (3.1) | (2.0) | (9.0) |
| Statutory operating profit | 202.3 | 188.3 | 116.3 | 109.9 | 318.6 | 298.2 |
| Statutory operating margin (%) | 15.0% | 15.1% | 13.7% | 13.7% | 14.5% | 14.6% |
| Net financial expense | | | | | (16.2) | (12.8) |
| Statutory profit before tax | | | | | 302.4 | 285.4 |

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to 2022. 2022 results have been restated to reflect the structure change described in Note 1.

| | Year ended 31 December 2022 (Restated) | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | As adjusted | Disposal | Exchange | Organic | As adjusted | Acquisitions | Organic | Adjusted growth (%) | Organic growth (%) |
| Automation | 1,248 | (6) | (1) | 1,241 | 1,350 | (6) | 1,344 | 8% | 8% |
| Life Technology | 801 | (3) | 4 | 802 | 846 | (26) | 820 | 6% | 2% |
| Total | 2,049 | (9) | 3 | 2,043 | 2,196 | (32) | 2,164 | 7% | 6% |
| | | | | | | | | | |
| Adjusted operating profit | | | | | | | | | |
| Automation | 225.3 | (0.6) | (0.6) | 224.1 | 257.3 | (1.1) | 256.2 | 14% | 14% |
| Life Technology | 138.5 | – | 1.8 | 140.3 | 153.3 | (8.4) | 144.9 | 11% | 3% |
| Total | 363.8 | (0.6) | 1.2 | 364.4 | 410.6 | (9.5) | 401.1 | 13% | 10% |
| | | | | | | | | | |
| Adjusted operating profit margin (%) | 17.8% | | | 17.8% | 18.7% | | 18.5% | | |

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## 4. Segmental Information continued

The following table illustrates how the segmental assets and liabilities reconcile to the overall total assets and liabilities reported in the balance sheet. 2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions and the structure change, both of which are described in Note 1.

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m |
| Automation | 1,393.0 | 1,362.2 | 444.1 | 389.5 |
| Life Technology | 921.8 | 955.5 | 155.6 | 171.8 |
| **Total segmental assets/liabilities (including lease liabilities)** | **2,314.8** | **2,317.7** | **599.7** | **561.3** |
| Corporate items | 18.5 | 22.5 | 38.7 | 46.6 |
| Employee benefits | 1.7 | 28.5 | 50.6 | 47.4 |
| Investments | 1.7 | 2.0 | – | – |
| Net debt items (excluding lease liabilities) | 106.5 | 133.0 | 644.9 | 839.3 |
| Net taxation | 27.2 | 26.1 | 106.3 | 129.6 |
| **Total assets and liabilities in Group balance sheet** | **2,470.4** | **2,529.8** | **1,440.2** | **1,624.2** |

The following table includes other information to show how certain costs are allocated between the platforms of the Group. 2022 results have been restated to reflect the structure change described in Note 1.

| | Adjusting restructuring costs | | Capital expenditure | | Amortisation* | | Depreciation** | |
|---|---|---|---|---|---|---|---|---|
| | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m |
| Automation | 30.6 | 15.9 | 51.3 | 40.7 | 24.7 | 23.6 | 46.2 | 43.6 |
| Life Technology | 17.5 | 10.0 | 28.6 | 30.6 | 24.9 | 24.4 | 28.6 | 30.6 |
| Total | 48.1 | 25.9 | 79.9 | 71.3 | 49.6 | 48.0 | 74.8 | 74.2 |

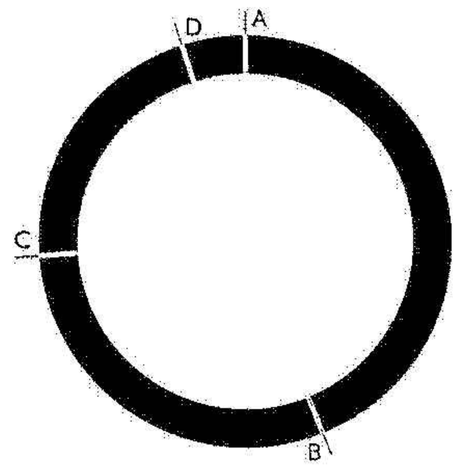
* The amortisation figures above include the amortisation of acquired intangibles. £14.9m (2022: £15.3m restated) is included in respect of Automation and £17.1m (2022: £14.2m restated) is included in respect of Life Technology.

** The depreciation figures above include the impact of IFRS 16 'Leases': £17.1m in respect of Automation (2022: £18.8m restated) and £12.3m in respect of Life Technology (2022: £13.6m restated).

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

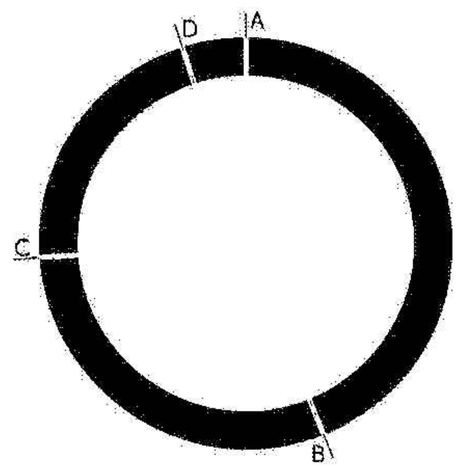
| | 2023 £m | 2022 £m |
|---|---|---|
| UK | 117 | 93 |
| Germany | 280 | 265 |
| Rest of Europe | 557 | 520 |
| **Total Europe** | **954** | **878** |
| USA | 525 | 536 |
| Rest of Americas | 140 | 91 |
| **Total Americas** | **665** | **627** |
| China | 174 | 179 |
| Rest of Asia Pacific | 296 | 271 |
| **Total Asia Pacific** | **470** | **450** |
| Middle East and Africa | 107 | 94 |
| **Total revenue** | **2,196** | **2,049** |

Revenue by geography (2023)




| | |
|---|---|
| A Europe | 43% |
| B Americas | 30% |
| C Asia Pacific | 22% |
| D Middle East and Africa | 5% |

Revenue by geography (2022)




| | |
|---|---|
| A Europe | 43% |
| B Americas | 30% |
| C Asia Pacific | 22% |
| D Middle East and Africa | 5% |

# Notes to the consolidated financial statements continued

## 4 Segmental information continued

The following table shows a geographical analysis of the location of the Group's intangible assets, property, plant and equipment and right-of-use assets. 2022 results have been restated to include the impact of Heatmiser and CorSolutions acquisitions, as discussed in Note 1.

| | 2023 £m | 2022 (Restated) £m |
|---|---|---|
| UK | 196.6 | 192.3 |
| Germany | 298.2 | 306.8 |
| Rest of Europe | 312.9 | 307.4 |
| USA | 468.5 | 519.0 |
| Asia Pacific | 49.1 | 64.5 |
| Rest of World | 32.4 | 30.3 |
| Total | 1,357.7 | 1,420.3 |

The Group's revenue streams are disaggregated in the table below. The 2022 results have been restated as a result of the changes to the Group's structure, which now reports under two platforms, Automation and Life Technology, as discussed in Note 1.

| | 2023 Revenue £m | 2022 Revenue (Restated) £m |
|---|---|---|
| Industrial Automation | 543 | 535 |
| Aftermarket | 483 | 411 |
| New Construction | 324 | 302 |
| Process Automation | 807 | 713 |
| Automation | 1,350 | 1,248 |
| | | |
| Climate Control | 386 | 350 |
| Life Science & Fluid Control | 276 | 289 |
| Transport | 184 | 162 |
| Life Technology | 846 | 801 |
| | | |
| Total revenue | 2,196 | 2,049 |
| Sale of goods | 2,115 | 1,977 |
| Sale of services | 81 | 72 |
| Total revenue | 2,196 | 2,049 |

## 5 Net operating costs

Operating profit is stated after charging/(crediting):

| | 2023 Revenue £m | 2022 Revenue £m |
|---|---|---|
| Net foreign exchange gains included in operating profit | (4.6) | (3.2) |
| Research and development expense | 73.6 | 70.3 |
| Amortisation of intangible assets | 49.6 | 48.0 |
| Impairment of intangible assets treated as adjusting items | – | 0.2 |
| Impairment of intangible assets | – | 0.5 |
| Depreciation of owned property, plant and equipment | 45.4 | 41.9 |
| Impairment/(reversal of impairment) of owned property, plant and equipment and leased assets treated as adjusting items | 5.0 | (2.3) |
| Impairment/(reversal of impairment) of owned property, plant and equipment | 0.2 | (0.6) |
| Depreciation of right-of-use assets | 29.4 | 32.3 |
| Cost of inventories recognised as an expense | 1,183.7 | 1,112.1 |
| Loss on disposal of property, plant and equipment | 0.5 | 1.7 |

**Operating costs by function**

The following table shows how much of the operating costs disclosed in the income statement relate to selling and distribution costs and administrative expenses.

| | 2023 £m | 2022 £m |
|---|---|---|
| Selling and distribution costs | 224.2 | 207.2 |
| Administrative expenses | 387.4 | 367.1 |
| Total | 611.6 | 574.3 |

**Employee information**

The average number of people employed by the Group during the year is shown in the table below. 2022 comparatives have been restated to reflect the change to the business structure as described in Note 1.

| | 2023 | 2022 (Restated) |
|---|---|---|
| Automation | 6,542 | 7,102 |
| Life Technology | 4,410 | 3,947 |
| Corporate | 85 | 80 |
| Total Group | 11,037 | 11,129 |

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# Notes to the consolidated financial statements continued

## 5. Net operating costs continued

The aggregate employment cost charged to operating profit for the year was:

| | 2023 £m | 2022 £m |
|---|---|---|
| Wages and salaries | 531.9 | 505.9 |
| Share-based payments | 12.9 | 11.7 |
| Social security costs | 82.4 | 76.7 |
| Pension costs | 5.8 | 8.3 |
| Total | 633.0 | 602.6 |

The aggregate gains made by directors on the exercise of share options was £3.7m (2022: £2.6m). The remuneration, as defined in the Companies Act 2006 Schedule 5, for the executive directors comprises fixed and annual variable pay as set out in the table on page 147 of the Remuneration Report. For details of the non-executive directors' remuneration please refer to page 159 of the Remuneration Report.

**Research and development expenditure**

The cost of research and development expenditure charged directly to the income statement was £73.6m (2022: £70.3m). Included within this is amortisation of capitalised intangible development costs which amounted to £7.3m (2022: £8.2m) and across the Group a further £6.2m (2022: £5.9m) was capitalised in the year.

**Exchange on operating activities net of hedging arrangements**

The transactional foreign exchange gains in the Group were £4.6m (2022: gains of £3.2m).

**Audit fees**

The Group engages its auditor, Deloitte, to perform other assurance assignments in addition to their statutory audit duties where their expertise, experience and knowledge of the Group should enable them to perform these assignments more efficiently than other similar service providers.

The Group's policy on such assignments is set out in the Audit Committee Report on page 130. Fees earned by Deloitte and its associates during the year are set out below:

| | 2023 £m | 2022 £m |
|---|---|---|
| Fees earned by the Company's auditor for the audit of the Company's Annual Accounts | 0.2 | 0.2 |
| The audit of the Company's subsidiaries pursuant to legislation | 3.0 | 2.9 |
| Other assurance services | 0.1 | 0.1 |
| Total | 3.3 | 3.2 |

## 6. Share-based payments

The Group operates a number of equity and equity-related compensation benefits to reward its employees. The estimated cost of awarding these share options is charged to the income statement over the period that the Group benefits from the employees' services. This cost is then added back to retained earnings, to reflect that there is no overall impact on the Group's balance sheet until the shares are issued to the employees when the options are exercised.

The individual share option schemes, the number of options outstanding under each of them, the estimated cost of these options recognised in the income statement and the assumptions used in arriving at this estimated cost are described below.

**Accounting policy**

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense each year. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options is determined based on the Monte Carlo and Black-Scholes option-pricing models.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement.

For newly issued shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**Outstanding share options**

At 31 December 2023, options to purchase ordinary shares had been granted to, but not yet exercised by, participants of IMI share option schemes as follows:

| | Date of grant | Number of shares | Price | Dates from which exercisable |
|---|---|---|---|---|
| IMI Sharesave Scheme | 04.04.18 | 650 | 1012.68p | 01.08.21 or 01.08.23 |
| | 04.04.19 | 15,663 | 884.16p | 01.08.22 or 01.08.24 |
| | 02.04.20 | 11,966 | 904.66p | 01.08.23 or 01.08.25 |
| | 02.04.21 | 62,396 | 1166.58p | 01.08.24 or 01.08.26 |
| | 31.03.22 | 89,403 | 1260.18p | 01.08.25 or 01.08.27 |
| | 07.06.23 | 70,305 | 1458.36p | 01.08.26 or 01.08.28 |
| | | 250,383 | | |
| Purchase Plans | 15.08.22 | 68,053 | 1155.78p | 15.08.24 |
| | 20.03.23 | 41,140 | 1375.11p | 20.03.25 |
| | | 109,193 | | |
| IMI Incentive Plan | 18.03.19 | 9,880 | – | 18.03.22 |
| | 16.03.20 | 113,408 | – | 16.03.23 |
| | 22.03.21 | 735,433 | – | 22.03.24 |
| | 18.03.22 | 815,275 | – | 09.03 25 |
| | 24.03.23 | 822,056 | – | 09.03.26 |
| | | 2,496,052 | | |
| IMI Share Option Plan | 11.03.14 | 22,450 | 1467.00p | 11.03.17 |
| | | 22,450 | | |
| Total | | 2,878,078 | | |

## 6. Share-based payments continued

**Schemes under which options are outstanding**
The options in the above table relate to the following share-based payment schemes

**IMI Sharesave Scheme (SAYE)**
This scheme is open to the majority of the Group's UK employees, including the executive directors, and allows the grant of options to all participants at a discount of up to 20% below the market price. Such schemes are not subject to performance conditions and offer tax incentives to encourage employees to use their own money to purchase IMI shares. SAYE options may be exercised within six months of the date they first become exercisable.

**Global Employee Share Purchase Plans (GESPP)**
These plans were introduced in 2011 for the USA and Germany. The German and USA GESPP offer the opportunity to buy shares in IMI at a fixed price at a future date. The German GESPP mirrors the UK Sharesave Scheme, with a minimum/maximum savings limit per month and a contract duration of three to five years. The US GESPP also operates in a similar way to the UK Sharesave Scheme, with a minimum/maximum savings limit per month, but the contract duration is for a fixed period of two years and different taxation conditions apply for the exercise period. No further awards are intended to be granted under the German GESPP.

**IMI Share Option Plan (SOP)**
Share option awards were made from 2009 to selected senior managers and certain other employees under the SOP. These awards are not subject to performance conditions, but are subject to a three year vesting period. The purpose of the SOP is to give selected IMI employees (who are not executive directors of the Company) the opportunity to share the benefits of share price growth and to increase their IMI shareholding.

**Other share-based payment arrangements**
The Group also operates the following employee share plans:

**Share Incentive Plan (SIP)**
The SIP is open to the majority of the Group's UK employees, including the executive directors. This scheme covers two separate opportunities for employees to share in IMI's success, as follows:

- Partnership shares – allows employees to invest up to the statutory maximum from pre-tax pay, which is used to buy IMI shares
- Free shares – allows a grant of shares to employees each year, up to the statutory maximum

Shares acquired or awarded under the SIP are not subject to performance conditions and offer tax incentives to encourage employees to build up their shareholdings with the Company.

**The IMI Incentive Plan (IIP)**
In light of the expiry in 2015 of both the PSP and SMP, the IIP was introduced to act as the Company's sole senior executive long-term incentive plan. The IIP acts as an umbrella plan which allows the Company to grant different types of awards to different employee groups in an efficient way. The IIP is to be used annually to grant 'Performance Share Awards' in respect of ordinary shares to the executive directors and other members of senior management, subject to performance conditions. The IIP will also be used annually to grant 'Bonus Share Awards' below board level. The IIP also gives the Company the ability to grant 'Restricted Stock Unit Awards' and 'Share Options'. It is currently intended that Restricted Stock Unit Awards and share options will only be granted in response to specific business requirements.





**Options granted during the year**

| | Number of options granted (thousand) | Weighted average option price | Normal exercisable date |
|---|---|---|---|
| SAYE | | | |
| 2019 | 200 | 884p | 2022-2025 |
| 2020 | 68 | 905p | 2023-2026 |
| 2021 | 75 | 1167p | 2024-2027 |
| 2022 | 103 | 1260p | 2025-2028 |
| **2023** | **75** | **1458p** | **2026-2029** |
| GESPP | | | |
| 2019 | 33 | 903p | 2021 |
| 2020 | 43 | 956p | 2022 |
| 2021 | – | – | 2023 |
| 2022 | 85 | 1156p | 2024 |
| **2023** | **44** | **1375p** | **2025** |
| IIP | | | |
| 2019 | 845 | – | 2021-2022 |
| 2020 | 1466 | – | 2022-2023 |
| 2021 | 891 | – | 2023-2024 |
| 2022 | 929 | – | 2024-2025 |
| **2023** | **859** | **–** | **2025-2026** |

**Movement in outstanding options in the year**

| | Options not granted at nil cost[1] | | | Options granted at nil cost[2] | Total |
|---|---|---|---|---|---|
| | Number of options (thousand) | Range of option prices | Weighted average option price | Number of options (thousand) | Number of options (thousand) |
| Outstanding at 1 January 2022 | 538 | 845-1518p | 1116p | 3,065 | 3,603 |
| Exercisable at 1 January 2022 | 222 | 845-1518p | 1325p | 272 | 494 |
| Granted | 188 | 1156-1260p | 1213p | 1,033 | 1,221 |
| Exercised | 142 | 845-1467p | 947p | 533 | 675 |
| Lapsed | 65 | 845-1467p | 1025p | 306 | 371 |
| Outstanding at 31 December 2022 | 519 | 884-1518p | 1209p | 3,255 | 3,774 |
| Exercisable at 31 December 2022 | 180 | 884-1518p | 1197p | 477 | 657 |
| | | | | | |
| Granted | 119 | 1375-1458p | 1428p | 905 | 1,024 |
| Exercised | 191 | 845-1375p | 1238p | 799 | 989 |
| Lapsed | 66 | 845-1458p | 1219p | 594 | 660 |
| Outstanding at 31 December 2023 | 382 | 884-1458p | 1260p | 2,767 | 3,149 |
| Exercisable at 31 December 2023 | 25 | 905-1467p | 1412p | 195 | 286 |

1 Options not granted at nil cost include options granted under the following schemes: IMI Sharesave Scheme, Global Employee Share Purchase Plans and IMI Share Option Plan.
2 Options granted at nil cost are those granted under the Performance Share Plan, Share Matching Plan and IMI Incentive Plan.

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# Notes to the consolidated financial statements continued

## 6. Share-based payments continued

**Share-based payment charge for the year**

The total expense recognised for the year arising from share-based payments was £12.9m (2022: £11.7m) which comprises a charge of £15.9m (2022: £15.5m) for the year, offset by a credit of £3.0m (2022: £3.8m) in respect of lapses.

£2.8m (2022: £2.7m) of the total charge and £0.8m (2022: £0.5m) of the total credit is in respect of options granted to directors.

**Share-based payment valuation methodology**

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted, based on Black-Scholes and Monte Carlo option pricing models. The assumptions used for grants in 2023 included a dividend yield of 2.0% (2022: 2.0%), expected share price volatility of 29% (2022: 32%), a weighted average expected life of 3.7 years (2022: 3.5 years) and a weighted average interest rate of 4.11% (2022: 1.75%). The expected volatility is wholly based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

**Other share-based payment disclosures**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 3.1 years (2022: 4.8 years) and the weighted average fair value of share options granted in the year at their grant date was £13.69 (2022: £13.01).

The weighted average share price at the date of exercise of share options exercised during the year was £15.18 (2022: £14.71).

## 7. Earnings per ordinary share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share (excluding those held in the Employee Benefit Trust or by the Company). Basic EPS measures are calculated as the Group profit for the year attributable to equity shareholders, divided by the weighted average number of shares in issue during the year. Diluted EPS takes into account the dilutive effect of all outstanding share options priced below the market price, in arriving at the number of shares used in its calculation.

Both of these measures are also presented on an adjusted basis to assist the reader of the financial statements and provide insight into the performance of the Group. The table below demonstrates how this calculation has been performed.

| | Key | 2023 million | 2022 million |
|---|---|---|---|
| Weighted average number of shares for the purpose of basic earnings per share | A | 259.3 | 258.3 |
| Dilutive effect of employee share options | | 1.0 | 1.2 |
| Weighted average number of shares for the purpose of diluted earnings per share | B | 260.3 | 259.5 |
| | | £m | £m |
| Statutory profit for the year | C | 237.3 | 226.3 |
| Total adjusting item charges included in profit before tax | | 85.0 | 60.7 |
| Total adjusting item credits included in taxation | | (19.4) | (14.6) |
| Earnings for adjusted EPS | D | 302.9 | 272.4 |
| | | 2023 | 2022 |
| Statutory EPS measures | | | |
| Statutory basic EPS | C/A | 91.5p | 87.6p |
| Statutory diluted EPS | C/B | 91.2p | 87.2p |
| Adjusted EPS measures | | | |
| Adjusted basic EPS | D/A | 116.8p | 105.5p |
| Adjusted diluted EPS | D/B | 116.4p | 105.0p |



## 8. Net financing costs

**Accounting policy**

Financial income comprises interest receivable on funds invested, income from investments and gains on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the dividend is declared.

Financial expense comprises interest payable on borrowings calculated using the effective interest rate method, the interest-related element of derivatives and losses on financial instruments that are recognised in the income statement. The interest expense component of lease payments is recognised in the income statement applying territory-specific incremental borrowing rates.

Net finance expense relating to defined benefit pension schemes represents the assumed interest on the difference between employee benefit plan liabilities and the employee benefit plan assets.

The finance income or expense on mark-to-market movements on interest and foreign exchange derivatives and other financing costs are excluded from adjusted earnings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| Recognised in the income statement | Interest £m | Financial Instruments £m | Total £m | Interest £m | Financial Instruments £m | Total £m |
| Interest income on bank deposits | 8.1 | | 8.1 | 4.6 | | 4.6 |
| Financial income | 8.1 | – | 8.1 | 4.6 | – | 4.6 |
| Interest expense on interest-bearing loans and borrowings | (27.9) | | (27.9) | (21.0) | | (21.0) |
| Interest expense on leases | (2.9) | | (2.9) | (2.8) | | (2.8) |
| Financial expense | (30.8) | – | (30.8) | (23.8) | – | (23.8) |
| Recognised in other comprehensive income | | | | | | |
| Gains on instruments measured at fair value through profit or loss: | | | | | | |
| Other economic hedges | | 7.0 | 7.0 | | 4.9 | 4.9 |
| Net financial (expense)/income relating to defined benefit pension schemes | (0.5) | | (0.5) | 1.5 | | 1.5 |
| Net financial (expense)/income | (23.2) | 7.0 | (16.2) | (17.7) | 4.9 | (12.8) |

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 (Note 3). 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.

| Recognised in other comprehensive income | 2023 £m | 2022 £m |
|---|---|---|
| Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operations | 6.7 | (7.5) |
| Exchange differences on translation of foreign operations net of funding revaluations | (41.1) | 40.9 |
| Exchange differences reclassified to the income statement on disposal of operations | (0.2) | 0.6 |
| Income tax on items recognised in other comprehensive income | 1.8 | (0.3) |
| Total items recognised in other comprehensive income (net of tax) | (32.8) | 33.7 |
| Recognised in statement of changes in equity | | |
| Translation reserve | (32.8) | 33.7 |

## 3 Taxation

IMI operates through subsidiary companies all around the world that pay many different taxes such as corporate income taxes, VAT, payroll withholdings, social security contributions, customs import duties and excise duties. This note aggregates only those corporate income taxes that are or will be levied on the profits of IMI plc and its subsidiary companies for periods leading up to and including the balance sheet date. The profits of each company are subject to certain adjustments as specified by applicable tax laws in each country to arrive at the tax liability that is expected to result on its tax returns. Where these adjustments have future tax impact, then deferred taxes may also be recorded.

**Accounting policy**

Current tax payable/receivable represents the expected tax payable/receivable on the taxable profits for the year, using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments in respect of prior years.

Deferred tax is provided, using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the timing of the reversal of the differences can be controlled and it is probable that the differences will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to the OECD Inclusive Framework agreement for a global minimum corporate income tax rate.

In common with many multinational companies, IMI faces tax audits in jurisdictions around the world, including in relation to the transfer pricing of goods and services between associated entities within the Group, the outcomes of which are uncertain. These tax audits may be subject to inter-government negotiations. The matters under discussion are often complex and can take many years to resolve. Tax liabilities are recorded based on Management's estimate of either the most likely amount or the expected amount depending on which method is expected to better reflect the resolution of the uncertainty.

**Tax governance, risk and strategy**

IMI recognises its corporate responsibility to ensure that all businesses within the IMI Group follow responsible tax practices to enhance long-term shareholder value, whilst also contributing to the public expenditure and the overall welfare of the communities in which it operates. Accordingly, the IMI Tax Policy sets the core principles of compliance, fairness, value and transparency for the management of the Group's tax affairs.

This Policy has been approved by the Board, fully communicated to subsidiary businesses, and is reviewed to ensure that responsible business practices across the Group are maintained. The Chief Financial Officer has primary responsibility for all tax matters and keeps the Board apprised of any significant issues or changes to the Tax Policy. A robust tax governance framework has also been established under which the Executive Committee and the IMI Board are apprised on a regular basis of any material or significant tax matters, so that appropriate action can be implemented. Through our internal communications platform, the Group communicates policies, procedures, guidance and best practices to improve the management of taxation across its subsidiary companies worldwide.

**Compliance**: IMI pays and collects significant amounts of taxes around the world as a result of its business activities. It seeks to manage its taxation obligations worldwide in compliance with all applicable tax laws and regulations, as well as fully in line with the Group's Code of Conduct. Accordingly, the tax contribution by the individual businesses is monitored and robust standard tax compliance processes operate together with appropriate financial controls to ensure that all tax returns are complete, accurate and filed on a timely basis with the tax authorities around the world and the declared taxes are paid on time. Furthermore, the preparation and filing of the corporate income tax returns for IMI subsidiary companies worldwide have been largely outsourced to one tax advisory firm.

Tax laws are often complex, which can lead to inconsistent interpretations by different stakeholders. Where this occurs, IMI may reduce uncertainty and controversy through various actions, including proactive discussion with the fiscal authorities to obtain early resolution and securing external tax advice to ensure the robust interpretation of tax laws and practices.

The Group Tax Policy is fully aligned with the Group's Code of Conduct, which requires the Group and its employees and agents to act in compliance with applicable laws and with fairness and integrity in all of its business dealings. IMI has a zero-tolerance approach to tax evasion and the facilitation of tax evasion. Consideration of UK legislation regarding third party tax evasion has also been incorporated into the Group's prevention procedures, including employee training.

**Fairness**: IMI seeks to record its profits across the subsidiary companies around the world on an arm's length basis in accordance with internationally accepted best practices, recognising the relative contributions of people, assets, intellectual property and risks borne by the various businesses. The resulting allocation of profits is regularly tested for compliance with this standard.

IMI has taken action to ensure that it meets the enhanced transfer pricing disclosures and documentation requirements by tax authorities as a result of the Base Erosion & Profit Shifting (commonly referred to as 'BEPS') initiative by the OECD.

**Value**: IMI manages the impact of taxation on its businesses in a responsible manner by only adopting legitimate and commercial positions. In doing so, the Group may make use of legitimate tax incentives, exemptions and statutory alternatives offered by governments and will look to ensure that it is not taxed more than once on the same profit. As a UK-headquartered group, IMI's profits are ultimately subject to UK taxation, although as the Group pays significant taxes overseas, the overall effective tax rate for the Group is slightly different from the UK statutory tax rate.

**Transparency**: IMI aims to build positive working relationships with tax authorities by cooperating in a constructive, open and timely manner. IMI seeks to disclose its tax affairs in its published accounts and taxation returns fully in accordance with the applicable standards and, where appropriate, will supplement its tax disclosures with further information to better inform, and to be transparent to, its stakeholders.

**Risk**: IMI engages external support to manage tax risks and achieve the strategic objectives outlined above. Tax risks are regularly assessed for all companies within the Group, promptly addressed and reported so that they may be appropriately provided and disclosed in the relevant accounts and tax returns. To the extent that identified tax risks are material they will be reported to the Executive Committee through the Group's process for strategic risk management as described on page 88.

## 9. Taxation continued

### UK Corporation tax

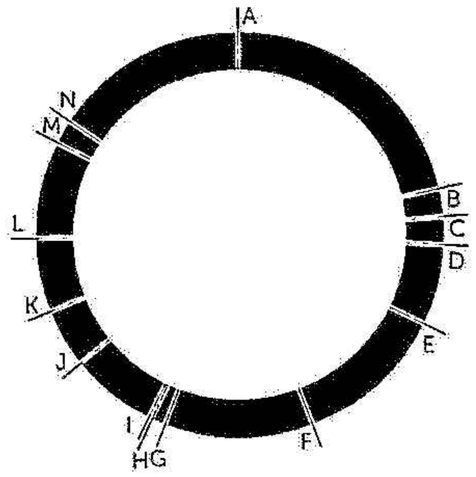
The average rate of corporation tax in the UK for 2023 was 23.5% (2022: 19%). From 1 April 2023, the statutory rate increased from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2022: 25%).

### Tax payments

During the year, the Group made payments of corporate income tax of £76.1m (2022: £48.6m), principally arising as follows:

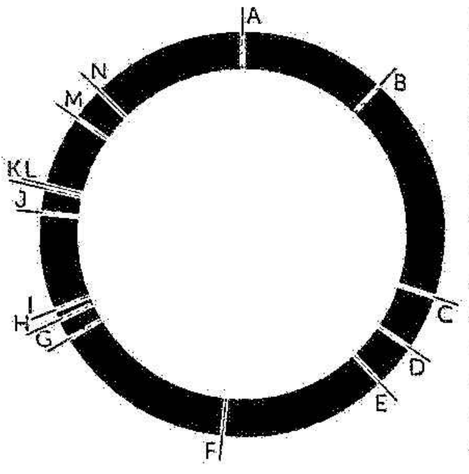
Jurisdiction of companies making corporate income tax payments:

2022: £48.6m




| | | |
|---|---|---|
| A | Germany | £10.4m |
| B | USA | £1.1m |
| C | Italy | £1.0m |
| D | Japan | £3.1m |
| E | Switzerland | £5.8m |
| F | UK | £5.7m |
| G | Sweden | £0.5m |
| H | Austria | £0.1m |
| I | China | £3.4m |
| J | Czech Republic | £2.3m |
| K | South Korea | £2.7m |
| L | India | £3.8m |
| M | Singapore | £0.9m |
| N | Other | £7.8m |

2023: £76.1m




| | | |
|---|---|---|
| A | Germany | £9.1m |
| B | USA | £13.9m |
| C | Italy | £3.4m |
| D | Japan | £2.6m |
| E | Switzerland | £10.5m |
| F | UK | £11.1m |
| G | Sweden | £1.3m |
| H | Austria | £0.7m |
| I | China | £5.9m |
| J | Czech Republic | £1.4m |
| K | South Korea | £0.3m |
| L | India | £4.3m |
| M | Singapore | £2.2m |
| N | Other | £9.4m |

There is normally an element of volatility in the annual payments of corporate income taxes due to the timing of assessments, acquisitions and disposals, exceptional items and payments on account in the many countries in which the Group operates. Changes in the jurisdictions in which profits are earned can have an impact on cashflow levels which may take time to be reflected in the tax cashflow.

The level of payments made during 2023 increased significantly compared to 2022. Of the significant movements, the UK and USA payments for 2022 included the recovery of tax assets and receivables and so the 2023 levels of payment are more normal. The USA also reflects an increase in taxable profits, including recent acquisitions. Switzerland payments reflect the timing differences in profits being earned and tax assessments being received. Other territorial movements in payments largely reflect shifts in trading.

In addition, the Group makes substantial other tax payments relating to employment, consumption, procurement and investment to tax authorities around the world.



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### Recognised in the income statement

This section sets out the current and deferred tax charges, which together comprise the total tax charge in the income statement.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Current tax charge** | | |
| Current year charge | 86.7 | 63.0 |
| Adjustments in respect of prior years | (7.3) | (1.9) |
| | 79.4 | 61.1 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | (14.3) | (2.0) |
| Total income tax charge | 65.1 | 59.1 |

### Reconciliation of effective tax rate

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. Therefore, the following tax reconciliation applies the UK corporation tax rate for the year to profit before tax, both before and after adjusting items. The resulting tax charge is reconciled to the actual tax charge for the Group, by taking account of specific tax adjustments as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Adjusted £m | Adjusting £m | Total £m | Adjusted £m | Adjusting £m | Total £m |
| Profit before tax | 387.4 | (85.0) | 302.4 | 346.1 | (60.7) | 285.4 |
| Income tax using the Company's domestic rate of tax of 23.5% (2022: 19.0%) | 91.0 | (20.0) | 71.0 | 65.8 | (11.5) | 54.3 |
| Effects of: | | | | | | |
| Non-deductible items | 4.6 | 0.7 | 5.3 | 3.0 | 0.4 | 3.4 |
| Non-taxable loss on disposal of businesses | (0.3) | – | (0.3) | – | 0.9 | 0.9 |
| Utilisation of losses on which no deferred tax had been recognised | – | – | – | (1.0) | – | (1.0) |
| Current year losses for which no deferred tax asset has been recognised | 0.8 | – | 0.8 | 0.2 | – | 0.2 |
| Recognition of deferred tax asset on previously unprovided timing differences | – | – | – | (0.8) | – | (0.8) |
| Differing tax rates | (4.0) | (1.6) | (5.6) | 12.5 | (4.4) | 8.1 |
| Adjustments to prior year current and deferred tax charges | (7.6) | 1.5 | (6.1) | (6.0) | – | (6.0) |
| Total tax in income statement | 84.5 | (19.4) | 65.1 | 73.7 | (14.6) | 59.1 |
| Income tax expense reported in the consolidated income statement | 84.5 | (19.4) | 65.1 | 73.7 | (14.6) | 59.1 |
| Effective rate of tax: | 21.8% | | 21.5% | 21.3% | | 20.7% |

## 3 Taxation continued

**Events after the reporting period**

During 2023, the UK government substantively enacted the OECD Inclusive Framework agreement for a global minimum corporate income tax rate of 15%. For IMI, this takes effect from 1 January 2024. The event does not therefore affect IMI's results for 2023. IMI is evaluating the impact that this will have on future accounting periods but expects that its entities in most territories will not be impacted by this minimum tax requirement. To the extent top-up taxes are required, the impact on IMI's results is expected to be minimal. However, further evaluation will be undertaken as additional guidance becomes available.

**Recognised outside of the income statement**

In addition to amounts charged to the income statement, some current tax and deferred tax is charged/(credited) directly to equity or through other comprehensive income, which can be analysed as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| **Deferred tax:** | | |
| On equity-settled transactions | (0.4) | 1.9 |
| On remeasurement gains and on defined benefit plans | (8.6) | (20.4) |
| | (9.0) | (18.5) |
| **Current tax:** | | |
| On change in value of effective net investment hedge derivatives | (1.8) | 0.3 |
| On equity-settled transactions | (0.1) | – |
| | (10.9) | (18.2) |
| Of which the following amounts are charged/(credited) | | |
| to the statement of comprehensive income | (10.4) | (20.1) |
| to the statement of changes in equity | (0.5) | 1.9 |
| | (10.9) | (18.2) |

**Recognised deferred tax assets and liabilities**

Deferred taxes record the tax consequences of temporary differences between the accounting and taxation recognition of certain items, as explained below:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m | 2023 £m | 2022 (Restated) £m |
| Intangible and tangible fixed assets | 13.0 | 6.2 | (67.6) | (76.3) | (54.6) | (70.1) |
| Inventories | 6.4 | 5.1 | (0.8) | (1.7) | 5.6 | 3.4 |
| Revaluation of derivatives | 0.5 | 0.5 | (1.1) | (0.8) | (0.6) | (0.3) |
| Pension and share-based payments | 13.5 | 12.1 | – | (7.1) | 13.5 | 5.0 |
| Short term timing differences | 29.7 | 31.1 | (5.6) | (5.8) | 24.1 | 25.3 |
| Other tax credits and losses | 1.4 | 1.7 | – | – | 1.4 | 1.7 |
| | 64.5 | 56.7 | (75.1) | (91.7) | (10.6) | (35.0) |
| Offsetting within tax jurisdictions | (41.8) | (32.5) | 41.8 | 32.5 | – | – |
| Total deferred tax assets and liabilities | 22.7 | 24.2 | (33.3) | (59.2) | (10.6) | (35.0) |

The movement in the net deferred tax balances has been recognised in the financial statements, as analysed below:

| | Balance at 1 Jan 23 (Restated) £m | Recognised in the income statement £m | Recognised outside the income statement £m | Exchange £m | Acquisitions/ disposals £m | Balance at 31 Dec 23 £m |
|---|---|---|---|---|---|---|
| Intangible and tangible fixed assets | (70.1) | 13.8 | | 1.7 | | (54.6) |
| Inventories | 3.4 | 2.3 | | (0.1) | | 5.6 |
| Revaluation of derivatives | (0.3) | (0.3) | | | | (0.6) |
| Pension and share-based payments | 5.0 | (0.5) | 9.0 | | | 13.5 |
| Short-term timing differences | 25.3 | (0.8) | | (0.4) | | 24.1 |
| Other tax credits and losses | 1.7 | (0.2) | | (0.1) | | 1.4 |
| Net deferred tax (liability)/asset | (35.0) | 14.3 | 9.0 | 1.1 | – | (10.6) |

| | Balance at 1 Jan 22 £m | Recognised in the income statement (Restated) £m | Recognised outside the income statement £m | Exchange £m | Acquisitions/ disposals (Restated) £m | Balance at 31 Dec 22 (Restated) £m |
|---|---|---|---|---|---|---|
| Intangible and tangible fixed assets | (48.7) | 6.0 | | (4.4) | (23.0) | (70.1) |
| Inventories | 3.3 | 0.4 | | 0.1 | (0.4) | 3.4 |
| Revaluation of derivatives | (0.6) | 0.3 | | | | (0.3) |
| Pension and share-based payments | (13.9) | (0.2) | 18.5 | 0.6 | | 5.0 |
| Short-term timing differences | 25.0 | (1.7) | | 1.6 | 0.4 | 25.3 |
| Other tax credits and losses | 4.4 | (2.8) | | 0.1 | | 1.7 |
| Net deferred tax (liability)/asset | (30.5) | 2.0 | 18.5 | (2.0) | (23.0) | (35.0) |

All exchange movements are taken through the translation reserve.

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## 9. Taxation continued

**Unrecognised deferred tax assets and liabilities**

Deferred assets are reviewed at each reporting date. Deferred tax assets have not been recognised for the following temporary differences:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Gross amount £m | Tax effected £m | Gross amount £m | Tax effected £m |
| Tax losses expiring: | | | | |
| Within 10 years | 2.3 | 0.6 | 7.4 | 1.8 |
| Available indefinitely | 18.1 | 4.8 | 46.0 | 12.0 |
| Capital losses expiring: | | | | |
| Within 10 years | – | – | – | – |
| Available indefinitely | 118.5 | 29.7 | 119.2 | 29.9 |
| Surplus interest expiring: | | | | |
| Within 10 years | 0.6 | 0.1 | 0.5 | 0.1 |
| Available indefinitely | – | – | – | – |
| Other temporary differences: | | | | |
| Within 10 years | 56.2 | 3.5 | – | – |
| Available indefinitely | – | – | – | – |
| | 195.7 | 38.7 | 173.1 | 43.8 |

Deferred tax assets have not been recognised for these temporary differences due to uncertainty over suitable future taxable profits and therefore their ability to be recovered. In assessing the probability of recovery, the Group assesses the likelihood of them being recovered within a reasonably foreseeable time frame, this being typically a minimum of five years, taking into account the future expected profit profile business model of the relevant company and country. The Group also considers the nature of the temporary differences, and any potential legislative restrictions on use. In some instances, these amounts are yet to be accepted by the tax authorities and could be challenged. The majority of these amounts have no expiry date as noted in the table above.

It is likely that the majority of unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption. However, £159.4m (2022: £112.9m) of those earnings may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £9.0m (2022: £6.6m), of which £3.5m (2022: £3.2m) has been provided on the basis that the Group expects to remit these amounts.



## 10. Dividends

**Accounting policy**
Dividends are recognised as a liability in the period in which they are approved by shareholders.

**Dividends**

After the balance sheet date, the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

| | 2023 £m | 2022 £m |
|---|---|---|
| Current year final dividend – 19.2p per qualifying ordinary share (2022: 17.4p) | 49.9 | 45.1 |

The following dividends were declared and paid by the Group during the year:

| | 2023 £m | 2022 £m |
|---|---|---|
| Prior year final dividend paid – 17.4p per qualifying ordinary share (2022 final year dividend: 15.8p) | 45.1 | 40.8 |
| Current year interim dividend paid – 9.1p per qualifying ordinary share (2022: 8.3p) | 23.7 | 21.4 |
| | 68.8 | 62.2 |

**Dividend policy and share buy backs**

As part of the capital management process, the Group ensures that adequate reserves are available in IMI plc in order to meet proposed shareholder dividends, the purchase of shares for employee share scheme incentives and any on-market share buyback programme.

The Group does not have a formal dividend policy or pay out ratio. The Group's aim is to continue with progressive dividends which typically increase at a steady rate for both the interim and final dividend payments. In the event that the Board cannot identify sufficient investment opportunities through capital expenditure, organic growth initiatives and acquisitions, the return of funds to shareholders through share buybacks or special dividends will be considered. It should be noted that a number of shares are regularly bought in the market by an employee benefit trust, in order to hedge the exposure under certain management incentive plans. Details of these purchases are shown in Note 22 to the financial statements.

## 11 Intangible assets

**Accounting policy**

Intangible assets are disclosed as acquired intangible assets and non-acquired intangible assets. Amortisation of acquired intangible assets is treated as an adjusting item, as described in Note 3, as the impact of any acquisitions, which are clearly identifiable can materially impact the net book value, from period to period.

**i. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed for the business combination. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. The value of the goodwill can arise from a number of sources, but in relation to our more recent acquisitions, it has been represented by post-acquisition synergies and the skills and knowledge of the workforce.

**ii. Research and Development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised provided benefits are probable, cost can be reliably measured and if, and only if, the product or process is technically and commercially feasible and the Group has sufficient resources and intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 'Impairment') and is included in the other acquired or other non-acquired category of intangible assets depending on its origin.

**iii. Software development costs**

Software applications and systems that are not an integral part of their host computer equipment are capitalised on initial recognition as intangible assets at cost. Cost comprises the purchase price plus directly attributable costs incurred on development of the asset to bring it into use. Following initial recognition, software development costs are carried at cost less any accumulated amortisation (see below) and accumulated impairment losses (see accounting policy 'Impairment') and are included in the other acquired or other non-acquired category of intangible assets depending on their origin.

**iv. Customer relationships and other acquired intangible assets**

Customer relationships and other intangible assets that are acquired by the Group as part of a business combination are stated at their fair value calculated by reference to the net present value of future benefits accruing to the Group from utilisation of the asset, discounted at an appropriate discount rate.

Expenditure on other internally generated intangible assets is recognised in the income statement as an expense as incurred.

**v. Amortisation of intangible assets other than goodwill**

Amortisation is charged to the income statement on a straight-line basis (other than for customer relationships and order book, which are charged on a sum of digits basis) over the estimated useful lives of the intangible assets. Amortisation commences from the date the intangible asset becomes available for use. The estimated useful lives for:

- Capitalised development costs are the life of the intangible asset (usually a maximum of 17 years)
- Software development costs are the life of the intangible asset (up to 17 years)
- Customer relationships are the life of the intangible asset (up to 17 years)
- Other intangible assets (including order books, brands and software) are the life of the intangible asset (up to 10 years).

The Group splits its intangible assets between those arising on acquisitions and those which do not, because the amortisation of acquired intangibles is recognised as an adjusting item in the income statement.

**Analysis of intangible assets**

2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as discussed in Note 1.

| | Goodwill (Restated) £m | Acquired customer relationships (Restated) £m | Other acquired intangibles (Restated) £m | Other non-acquired intangibles* £m | Non-acquired intangibles under construction £m | Other intangible assets (Restated) £m |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at 1 January 2022 | 569.6 | 283.9 | 185.0 | 172.2 | 8.9 | 650.0 |
| Exchange adjustments | 48.3 | 21.2 | 22.3 | 12.7 | (0.7) | 55.5 |
| Acquisitions (Note 23) | 117.2 | 59.7 | 33.9 | | | 93.6 |
| Additions | | | | 7.0 | 7.1 | 14.1 |
| Transfers from assets in the course of construction | | | | 9.3 | (9.3) | – |
| Disposals | | | | (6.0) | | (6.0) |
| As at 31 December 2022 | 735.1 | 364.8 | 241.2 | 195.2 | 6.0 | 807.2 |
| Exchange adjustments | (17.7) | (7.8) | (10.6) | (4.5) | | (22.9) |
| Additions | | | | 12.1 | 7.4 | 19.5 |
| Transfers from assets in the course of construction | | | | 3.8 | (3.8) | – |
| Disposals | | | | (4.0) | | (4.0) |
| As at 31 December 2023 | 717.4 | 357.0 | 230.6 | 202.6 | 9.6 | 799.8 |
| Amortisation | | | | | | |
| As at 1 January 2022 | 36.0 | 204.3 | 107.2 | 104.0 | | 415.5 |
| Exchange adjustments | 1.7 | 14.0 | 11.5 | 6.8 | | 32.3 |
| Disposals | | | | (6.0) | | (6.0) |
| Impairment charge | | | | 0.7 | | 0.7 |
| Amortisation for year | | 17.2 | 12.3 | 18.5 | | 48.0 |
| As at 31 December 2022 | 37.7 | 235.5 | 131.0 | 124.0 | | 490.5 |
| Exchange adjustments | (0.6) | (5.7) | (5.2) | (2.8) | | (13.7) |
| Disposals | | | | (4.0) | | (4.0) |
| Amortisation for year | | 21.3 | 10.7 | 17.6 | | 49.6 |
| As at 31 December 2023 | 37.1 | 251.1 | 136.5 | 134.8 | | 522.4 |
| Net book value at 31 December 2022 | 697.4 | 129.3 | 110.2 | 71.2 | 6.0 | 316.7 |
| Net book value at 31 December 2023 | 680.3 | 105.9 | 94.1 | 67.8 | 9.6 | 277.4 |

* Other non-acquired intangibles include capitalised development costs with a carrying value of £32.0m (2022: £33.1m) and capitalised software costs with a carrying value of £5.8m (2022: £8.1m).

The individually significant acquired customer relationships includes £42.1m (2022: £50.5m) in Adaptas Solutions LLC, £21.1m (2022: £24.3m) in Bahr Modultechnik GmbH and £24.6m (2022: £28.7m) in Heatmiser UK Limited, which have 12 to 16 years of amortisation remaining. The only individually significant other acquired intangibles is the Adaptas brands, with a net book value of £29.1m (2022: £33.3m), which have 8 to 13 years of amortisation remaining.

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# Notes to the consolidated financial statements continued

## 11. Intangible assets continued

### Goodwill impairment testing

**Accounting policy**

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of 'CGUs'). The composition of CGUs reflects both the way in which cash inflows are generated and the internal reporting structure. Where our businesses operate closely with each other we will continue to review whether they should be treated as a single CGU. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

**Impairment**

The carrying values of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether impairment indicators exist.

If indicators exist, the recoverable amount of the asset or all assets within its CGU is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its CGU unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For goodwill and assets that are not yet available for use, the recoverable amount is evaluated at each balance sheet date.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, an individual assessment is made of the estimated future cash flows generated for each CGU derived from the Group's long-term forecasts for the next five years with due consideration to climate related risks. These are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management believe that this approach, including the use of the indefinite cash flow projection, is appropriate based upon both historical experience and because it is one of the bases management utilise to evaluate the fair value of investment opportunities. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs.

**Reversals of impairment**

Impairments of goodwill are non-reversible. In respect of other assets, an impairment loss is reversed if at the balance sheet date, there are indications that the loss has decreased or no longer exists following a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group has 12 (2022: 12) cash-generating units to which goodwill is allocated.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cash flow projections from financial budgets, forecasts and plans approved by the Board covering a five-year period, and include a terminal value multiple. The projected cash flows reflect the latest expectation of demand for products and services, including consideration of the future impacts of climate change, which is considered as part of the Group's five-year strategic planning process.

The key assumptions in these calculations are the long-term growth rates and the discount rates applied to forecast cash flows, in addition to the achievement of the forecasts themselves. Long-term growth rates are based on long-term economic forecasts for growth in the manufacturing sector in the geographical regions in which the cash-generating unit operates. Pre-tax discount rates specific to each cash-generating unit are calculated by adjusting country and region-specific post-tax weighted average cost of capital (WACC) for specific country risk premium, the Group's size risk premium and tax rate relevant to the jurisdiction in which the cash flows are generated.

This exercise resulted in the use of the following ranges of values for the key assumptions:

| | 2023 % | 2022 % |
|---|---|---|
| Discount rate | 8.5-13.3 | 8.8-13.3 |
| Short-term growth rate | 8.0-14.0 | 10.0-12.0 |
| Long-term growth rate | 1.5-2.1 | 1.2-2.0 |

For the purpose of assessing the significance of CGUs, the Group uses a threshold of 10% of the total goodwill balance. The recoverable amount of the CGUs is determined from a value in use calculation and the key assumptions used in this calculation are the discount rate, growth rate and operating cash flows. These estimates are determined using the methodology discussed above and for those CGUs considered to be significant, outlined in the table below. 2022 results have been restated to reflect the goodwill allocation of Heatmiser and the structure change, both of which are described in Note 1.

| 2023 CGU | Goodwill £m | Discount rate % | Short-term growth rate % | Long-term growth rate % |
|---|---|---|---|---|
| Life Science & Fluid Control | 201.4 | 10.5 | 8.0 | 2.0 |
| Process Automation – Petrochemical & Isolation | 115.2 | 11.8 | 8.0 | 2.0 |
| Process Automation – Control Valves | 96.5 | 13.3 | 8.0 | 2.0 |
| Heatmiser | 67.6 | 12.0 | 14.0 | 1.5 |

| 2022 CGU | Goodwill £m | Discount rate % | Short-term growth rate % | Long-term growth rate % |
|---|---|---|---|---|
| Life Science & Fluid Control | 208.9 | 10.3 | 12.0 | 2.0 |
| Process Automation – Petrochemical & Isolation | 117.4 | 10.0 | 10.0 | 2.0 |
| Process Automation – Control Valves | 99.6 | 13.3 | 10.0 | 2.0 |

The carrying amount of goodwill allocated to CGUs deemed to be non-significant is £199.6m (2022: £272.1m restated).

**Sensitivity to changes in assumptions**

The key estimates reflect the combination of assumptions used, including the long-term growth rates and the discount rate applied to forecast cash flows, in addition to the achievement of the forecasts themselves.

The directors do not consider that any reasonably possible changes to the key assumptions would cause the carrying amount to exceed the recoverable amount of the CGU.

The aggregate amount of goodwill arising from acquisitions prior to 1 January 2004 that had been deducted from the profit and loss reserves and incorporated into the IFRS transitional balance sheet as at 1 January 2004, amounted to £364m. The cumulative impairment recognised in relation to goodwill is £41m (2022: £41m).

## 12 Property, plant and equipment

This note details the physical assets used by the Group to generate revenues and profits, in addition to those disclosed in Note 13 Leases. These assets include manufacturing, distribution and office sites, and equipment used in the manufacture of the Group's products. The cost of these assets represents the amount initially paid for them.

**Accounting policy**

Freehold land and assets in the course of construction are not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 11).

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Costs in respect of tooling owned by the Group for clearly identifiable new products are capitalised net of any contribution received from customers and are included in plant and equipment.

Depreciation is charged to the income statement, from the date the asset is brought in to use, on a straight-line basis (unless such a basis is not aligned with the anticipated benefit) so as to write down the cost of assets to residual values over the period of their estimated useful lives within the following ranges:

- Freehold buildings – 25 to 50 years
- Plant and equipment – 3 to 20 years

The useful lives of assets could be reduced by climate-related matters, for example as a result of physical risks, obsolescence, or legal restrictions. The change in useful lives would have a direct impact on the amount of depreciation or amortisation recognised each year from the date of reassessment.

Assets in the course of construction comprise assets that are not currently ready to be brought in to use. Assets under construction are not depreciated.

If there has been a technological change or decline in business performance, the directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value, a one-off impairment charge is made against profit.

| | Land and buildings £m | Plant and equipment (restated) £m | Assets in the course of construction £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 January 2022 | 186.7 | 674.7 | 26.6 | 888.0 |
| Exchange adjustments | 8.7 | 43.9 | (0.4) | 52.2 |
| Acquisitions (Note 23) | 2.9 | 2.0 | 0.2 | 5.1 |
| Additions | 3.6 | 23.7 | 29.9 | 57.2 |
| Transfers from assets in the course of construction | 0.8 | 24.4 | (25.2) | – |
| Disposals | (4.3) | (32.8) | (0.1) | (37.2) |
| As at 31 December 2022 | 198.4 | 735.9 | 31.0 | 965.3 |
| Exchange adjustments | (5.6) | (17.6) | (0.5) | (23.7) |
| Additions | 7.1 | 27.2 | 26.1 | 60.4 |
| Transfers from assets in the course of construction | 1.6 | 19.1 | (20.7) | – |
| Disposals | (1.6) | (35.9) | (0.6) | (38.1) |
| As at 31 December 2023 | 199.9 | 728.7 | 35.3 | 963.9 |
| **Depreciation** | | | | |
| As at 1 January 2022 | 100.6 | 519.7 | | 620.3 |
| Exchange adjustments | 3.6 | 35.6 | | 39.2 |
| Disposals | (2.1) | (30.5) | | (32.6) |
| Reversal of impairment | (1.9) | (1.0) | | (2.9) |
| Depreciation | 4.7 | 37.2 | | 41.9 |
| As at 31 December 2022 | 104.9 | 561.0 | – | 665.9 |
| Exchange adjustments | (2.3) | (12.5) | | (14.8) |
| Disposals | (1.2) | (34.9) | | (36.1) |
| Impairment charge | 0.2 | 2.9 | | 3.1 |
| Depreciation | 5.2 | 40.2 | | 45.4 |
| As at 31 December 2023 | 106.8 | 556.7 | – | 663.5 |
| NBV at 31 December 2022 | 93.5 | 174.7 | 31.0 | 299.2 |
| NBV at 31 December 2023 | 93.1 | 172.0 | 35.3 | 300.4 |

An impairment charge of £3.1m was recognised during the year (2022: reversal of impairment of £2.9m) as part of the restructuring costs incurred in the complexity reduction program. The recoverable amount of these assets has been determined using their fair value less costs to sell, estimated by both internal and external valuation specialists. Group contracts in respect of future capital expenditure that had been placed at the balance sheet date amounted to £3.1m (2022: £3.7m).

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# Notes to the consolidated financial statements continued

## 13. Leases

**Accounting policy**

The Group leases various properties, plant, equipment and cars. Rental contracts are negotiated individually and have a range of initial terms, and may have extension options. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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 the income statement 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:

i. fixed payments less any lease incentives receivable;
ii. variable lease payments that are based on an index or a rate;
iii. amounts expected to be payable by the Group under residual value guarantees;
iv. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
v. payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the entity's incremental borrowing rate is used, being the rate that the entity 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:

i. the amount of the initial measurement of lease liability;
ii. any lease payments made at or before the commencement date less any lease incentives received; and
iii. restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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.

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 2022 | 80.9 | 10.6 | 91.5 |
| Additions | 27.9 | 7.3 | 35.2 |
| Acquisitions | – | 0.1 | 0.1 |
| Extensions | 8.0 | 1.0 | 9.0 |
| Payment changes | 1.6 | 0.2 | 1.8 |
| Terminations | (0.5) | (0.2) | (0.7) |
| Impairment | (0.6) | – | (0.6) |
| Depreciation expense | (25.0) | (7.3) | (32.3) |
| Exchange | 2.5 | 0.5 | 3.0 |
| As at 31 December 2022 | 94.8 | 12.2 | 107.0 |
| | | | |
| Additions | 12.0 | 9.0 | 21.0 |
| Extensions | 4.5 | 1.1 | 5.6 |
| Payment changes | 0.1 | (0.2) | (0.1) |
| Terminations | (1.2) | (0.5) | (1.7) |
| Impairment | (2.1) | – | (2.1) |
| Depreciation expense | (21.7) | (7.7) | (29.4) |
| Exchange | (1.3) | 0.6 | (0.7) |
| As at 31 December 2023 | 85.1 | 14.5 | 99.6 |

## 13 Leases continued

Set out below are the carrying amounts of lease liabilities and the movements during the period

| | Land and buildings £m | Plant and equipment £m | Total £m |
|---|---|---|---|
| As at 1 January 2022 | 83.2 | 10.7 | 93.9 |
| Additions | 23.7 | 7.3 | 31.0 |
| Acquisitions | – | 0.1 | 0.1 |
| Extensions | 8.1 | 1.0 | 9.1 |
| Payment changes | 1.7 | 0.2 | 1.9 |
| Terminations | (0.5) | (0.2) | (0.7) |
| Accretion of interest | 2.6 | 0.2 | 2.8 |
| Payments | (27.2) | (7.9) | (35.1) |
| Exchange | 2.2 | 0.5 | 2.7 |
| As at 31 December 2022 | 93.8 | 11.9 | 105.7 |
| | | | |
| Additions | 11.9 | 8.9 | 20.8 |
| Extensions | 4.5 | 1.0 | 5.5 |
| Payment changes | (0.8) | 0.4 | (0.4) |
| Terminations | (1.2) | (0.5) | (1.7) |
| Accretion of interest | 2.6 | 0.3 | 2.9 |
| Payments | (23.6) | (8.3) | (31.9) |
| Exchange | (0.8) | 0.1 | (0.7) |
| As at 31 December 2023 | 86.4 | 13.8 | 100.2 |
| | | | |
| Current | 19.4 | 5.8 | 25.2 |
| Non-current | 67.0 | 8.0 | 75.0 |

The following are the amounts recognised in the income statement

| | 2023 £m | 2022 £m |
|---|---|---|
| Depreciation expense of right-of-use assets | (29.4) | (32.3) |
| Interest expense on lease liabilities | (2.9) | (2.8) |
| Total amount recognised in profit or loss | (32.3) | (35.1) |

Practical expedients applied

The Group has used the following practical expedients permitted by the standard

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

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

Future cash outflows that the Group is potentially exposed to in relation to the measurement of lease liabilities that have not been reflected is £nil (2022: £nil)

## 14 Retirement benefits

**Accounting policy**

i. Defined contribution (DC) pension plans

Arrangements where the employer pays fixed contributions into an external fund on behalf of the employee (who is responsible for making the investment decision and, therefore, assumes the risks and rewards of fund performance)

Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

ii. Defined benefit (DB) pension plans

A defined benefit pension plan is a pension arrangement in which the employer promises a specified annual benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In some cases, this benefit is paid as a lump sum on leaving the Company or while in the service of the Company, rather than as a pension. The Group underwrites one or more risks in meeting these obligations and therefore any net liability or surplus in these arrangements is shown on the Group balance sheet

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. The discount rate is the yield at the balance sheet date on high-quality corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. At each year-end the Company and the local actuaries consider whether the plans are affected by the asset ceiling requirements. When the calculation results in a net asset to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan and restricted by any relevant asset ceiling. Any deduction made by the tax authorities in the event of a refund of a surplus would be regarded by the Group as an income tax

When the benefits of a plan are improved, the expense is recognised immediately in the income statement. Remeasurement gains and losses are recognised immediately in equity and disclosed in the statement of comprehensive income

iii. Long-term service and other post-employment benefits

The Group's net obligation in respect of long-term service and other post-employment benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on high-quality bonds of the appropriate currency that have durations approximating those of the Group's obligations

**Key source of estimation uncertainty**

The present value of the Group's defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation, future salary increases, mortality rates and future pension increases. The assumptions used and analysis of their sensitivity is set out below. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions

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# Notes to the consolidated financial statements continued

## 14. Retirement benefits continued

**Summary information**

**Net pension deficit: £48.9m (2022: deficit of £18.9m)**

The assets and liabilities of the defined benefit schemes are aggregated, recognised in the consolidated balance sheet and shown within non-current liabilities or in non-current assets if a scheme is in surplus and it is deemed recoverable.

**Number of DB arrangements: 70 (2022: 70)**

There has been no change to the number of schemes during the year.

The following table shows a summary of the geographical profile of the Group's defined benefit schemes:

| | Quantity 2023 | Quantity 2022 | Assets £m | Liabilities £m | Net (deficit)/ surplus £m |
|---|---|---|---|---|---|
| Australia | 3 | 3 | | (0.4) | (0.4) |
| Austria | 6 | 6 | | (2.1) | (2.1) |
| France | 3 | 3 | 0.2 | (0.8) | (0.6) |
| Germany | 30 | 30 | 6.4 | (42.7) | (36.3) |
| India | 6 | 6 | | (1.4) | (1.4) |
| Italy | 6 | 6 | | (1.6) | (1.6) |
| Mexico | 5 | 5 | | (1.2) | (1.2) |
| Spain | 2 | 2 | | | – |
| Switzerland | 5 | 5 | 89.9 | (88.2) | 1.7 |
| UAE | 1 | 1 | | (1.4) | (1.4) |
| US* | 2 | 2 | | (1.9) | (1.9) |
| UK | 1 | 1 | 304.1 | (307.8) | (3.7) |
| | 70 | 70 | 400.6 | (449.5) | (48.9) |

* The US deficit above excludes £0.5m of assets relating to unqualified plans classified as investments (see Note 17).

As at 31 December 2023, the Group has recognised a net defined benefit deficit of £3.7m (2022: surplus of £28.4m) for the UK Deferred Fund.



The Group provides pension benefits through a mixture of funded and unfunded DB and DC arrangements. Assessments of the obligations of the defined benefit plans are carried out by actuaries, based on the projected unit credit method. A historical split of the types of defined benefit schemes in operation is as follows:

| Type of scheme | Quantity No. | Assets £m | % of total assets % | Liabilities £m | % of total liabilities % |
|---|---|---|---|---|---|
| 2023 | | | | | |
| Final salary* | 25 | 304.3 | 76.0% | (345.3) | 76.8% |
| Cash balance** | 12 | 89.9 | 22.4% | (90.3) | 20.1% |
| Jubilee Awards*** | 14 | – | 0% | (2.3) | 0.5% |
| Other | 19 | 6.8 | 1.6% | (11.6) | 2.6% |
| Total | 70 | 401.0 | 100% | (449.5) | 100% |
| Asset ceiling | | (0.4) | | | |
| Revised assets | | 400.6 | | | |
| | | | | | |
| 2022 | | | | | |
| Final salary* | 25 | 325.9 | 79% | (333.6) | 78% |
| Cash balance** | 12 | 79.1 | 19% | (76.3) | 18% |
| Jubilee Awards*** | 14 | – | 0% | (2.7) | 1% |
| Other | 19 | 7.2 | 2% | (12.8) | 3% |
| Total | 70 | 412.2 | 100% | (425.4) | 100% |
| Asset ceiling | | (5.7) | | | |
| Revised assets | | 406.5 | | | |

* **Final salary scheme:** The pension available to a member in a final salary arrangement will be a proportion of the member's salary at or around their retirement date. This proportion will be determined by the member's length of pensionable service, their accrual rate and any particular circumstances under which the member retires (for example early ill-health retirement).

** **Cash balance:** A cash balance scheme is a form of defined benefit pension under which the member has the right to a defined lump sum on retirement rather than a defined amount of pension receivable. For example, a cash balance plan may have minimum or guaranteed rates of return on pension contributions. The amount of pension to which that lump sum may be converted is determined by the annuity rates prevailing at the time of conversion

*** **Jubilee Awards:** Jubilee plans provide for cash award payments that are based on completed lengths of service. These payments are often made on cessation of service with the company, subject to a minimum period of service.

# Notes to the consolidated financial statements continued

## 14 Retirement benefits continued

### Asset profile of schemes

The following table sets out the profile of the overall assets of the schemes (to give an indication of their risk profile), the comparative amounts of the funded and unfunded defined benefit liabilities (DBOs) and a split of the balance sheet impact between schemes with a net pension surplus and a net pension deficit

| | 2023 £m | 2022 £m |
|---|---|---|
| Quoted equities | 27.2 | 24.7 |
| Quoted bonds | 28.1 | 23.3 |
| Total quoted assets | 55.3 | 48.0 |
| | | |
| Unquoted equities | 28.9 | 103.3 |
| Insurance policies* | 291.7 | 272.0 |
| Property | 20.3 | 19.5 |
| Other** | 4.8 | (30.6) |
| Total unquoted assets | 345.7 | 364.2 |
| | | |
| Fair value of assets | 401.0 | 412.2 |
| Restriction due to an asset ceiling | (0.4) | (5.7) |
| DBOs for funded schemes | (403.4) | (378.3) |
| DBOs for unfunded schemes | (46.1) | (47.1) |
| Deficit for DBOs | (48.9) | (18.9) |
| | | |
| Schemes in net pension deficit | (50.6) | (47.4) |
| Schemes in net pension surplus | 1.7 | 28.5 |

* The value of the insurance policies matches the value of the IAS 19 liabilities insured

** Other assets primarily consists of cash, current FX swaps and UK commercial real estate debt

The overseas assets of £96.9m (2022: £86.9m) comprise equities of £27.2m (2022: £24.7m), bonds of £28.1m (2022: £21.0m), insurance of £6.8m (2022: £7.5m), property of £20.2m (2022: £19.5m) and other assets of £14.6m (2022: £14.2m). This excludes the impact of the restriction due to the asset ceiling of £0.4m (2022: £5.7m) associated with schemes in Switzerland and Germany

**Funded:** The majority of the Group defined benefit and other post-employment benefit arrangements are funded, which means that they are linked to specific plan assets that have been segregated in a trust or foundation

**Unfunded:** Plans that are not funded are those that are not backed by segregated assets. These include not only some pension plans but also a number of other long-term arrangements for the benefit of our employees, with benefits payable while they are employed by the Group but more than 12 months after the related service is rendered. Actuarial gains and losses on other long-term arrangements are recognised in the income statement in the period in which they arise

### Average duration by geography

The following table shows the weighted average number of years (or duration) over which pension benefits are expected to be paid

| Location | 2023 £m | 2022 £m |
|---|---|---|
| UK | 15.0 | 15.4 |
| Switzerland | 14.2 | 14.1 |
| US | 5.4 | 5.1 |
| Eurozone | 11.3 | 11.9 |



### The UK Funds

The United Kingdom constitutes 68% (2022: 70%) of total defined benefit liabilities and 76% (2022: 80%) of total defined benefit assets. Historically, the IMI Pension Fund offered final salary benefits to UK employees until it closed to new entrants in 2005 and to future accrual on 31 December 2010. In December 2014, winding-up procedures commenced and those members who were not eligible or did not take up the offer of a single cash lump sum transferred to one of two new Funds (the IMI 2014 Pensioner Fund or the IMI 2014 Deferred Fund – the UK Funds). Ongoing pension benefits in the UK are provided via the trustee's defined contribution plan – The IMI Retirement Savings Plan. All UK pension assets are run on behalf of the trustee by the Board of the IMI Common Investment Fund.

### Court Ruling

A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments between 1997 and 2016 for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. If the ruling stands it will form part of case law and will be applied across other pension schemes. The judgement is subject to appeal with a hearing scheduled for 25 June 2024.

The lawyers for the IMI 2014 Deferred Fund (the Fund), Squire Patton Boggs, in conjunction with the Fund administrators, Willis Towers Watson Ltd, are currently carrying out a review of the past amending deeds. The risk of potential impact remains and continues to be assessed.

### Liability management

During 2022, the Group completed an insurance buy-in exercise for the remaining uninsured members. The trustees agreed to defer part of the premium owed to the insurance company for this buy-in and the outstanding amount is expected to be paid over the next five years. During the year, a repayment of £5.0m was made. The remaining liability is £15.0m.

### Contributions

The March 2021 Valuation was completed in December 2021 and the Funds' Actuary certified that no deficit funding contributions would be required over and above the projected investment returns and the scheduled payments, of £7.0m per annum, due from the Scottish Limited Partnerships until the earlier of either full funding of the UK Deferred Fund or 2030.

During 2022, the Group ceased contributions to the Scottish Limited Partnership as the UK Deferred Fund was fully funded. The final payment of £3.5m for 2021 was made in February 2022.

### Specific effect on the financial statements

The corresponding entries for increases and decreases in the net pension deficit reported in the balance sheet are reflected as follows:

- **Cash flow statement:** When the Group makes cash contributions to fund the pension deficit/surplus, they are reflected in the cash flow statement and reduce the net deficit/increase the net surplus.
- **Income statement:** Movements in the overall net pension deficit/surplus are recognised in the income statement when they relate to changes in the overall pension promise, due to either an additional period of service (known as 'current service cost') changes to pension terms in the scheme rules (known as 'past service cost') or closure of all or part of a scheme (known as settlements and curtailments). The interest charge/income on the net deficit/surplus position is also recognised in the income statement.
- **Other comprehensive income (OCI):** Movements in the overall net pension deficit/surplus are recognised through OCI when they relate to changes in actuarial assumptions or the difference (experience gain or loss) between previous assumptions and actual results.

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# Notes to the consolidated financial statements continued

## 14. Retirement benefits continued

The table below reconciles the movement in the UK and overseas net defined benefit (obligation)/surplus between 1 January 2023 and 31 December 2023.

| | UK £m | Overseas £m | Total £m |
|---|---|---|---|
| Net defined benefit surplus/(obligation) at 1 January 2023 | 28.4 | (47.3) | (18.9) |
| Movement recognised in: | | | |
| Income statement | 1.3 | (5.5) | (4.2) |
| OCI | (33.4) | (0.3) | (33.7) |
| Cash flow statement | – | 6.9 | 6.9 |
| Exchange movements | – | 1.0 | 1.0 |
| Net defined benefit obligation at 31 December 2023 | (3.7) | (45.2) | (48.9) |

Risks faced by the schemes

The main risks that the Group face in respect of the UK Deferred Fund, which makes up 76% of the Group's liabilities, are:

| Risk | Description/mitigation |
|---|---|
| Interest rate risk | Under IAS 19, the discount rate should be set with reference to the yield on high quality corporate bonds (typically taken to mean those rated AA) of term appropriate to the duration of the liabilities.<br><br>A decrease in corporate bond yields and therefore the resulting discount rate, leads to a higher value being placed on the pension liabilities.<br><br>The trustees' investment strategy for the UK Deferred Fund includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. The trustees have a target to hedge 100% of interest rate risk. The trustee's investment managers measure and monitor the hedging arrangements in place, and the latest performance report shows this target is being met.<br><br>Note that the scheme hedges interest rate risk on a scheme funding basis (relative to gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge. The Scheme's exposure to corporate bonds mitigates this risk to some extent. |
| Inflation risk | In the UK Deferred Fund, a large proportion of the benefits are linked to inflation. Therefore, an increase in inflation would lead to higher benefits being paid than expected.<br><br>To mitigate this risk, the UK Deferred Fund aims to hedge 100% of the Fund's liabilities against inflation risk. The trustee's investment managers measure and monitor the hedging arrangements in place and the latest performance report shows this target is being met. |
| Investment risk | The UK Deferred Fund holds investments in asset classes, such as private equity and property, which have volatile market values. These assets are expected to provide better returns than Government bonds over the long-term. However, the short-term volatility can cause additional funding to be required, if a deficit emerges. As these investments make up around 9% of the total assets, the risk to the Group is relatively small. |
| Mortality risk | The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.<br><br>An increase of one year in life expectancy for the UK Deferred Fund would act to increase liabilities by c.£9.8m.<br><br>The Group has an objective to insure benefits as members retire, in order to reduce mortality risk. |





Cash flow impacts

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | UK £m | Overseas £m | Total £m | UK £m | Overseas £m | Total £m |
| Amounts from employees | – | 2.5 | 2.5 | – | 2.3 | 2.3 |
| Amounts from employers | – | 3.0 | 3.0 | 3.5 | 2.9 | 6.4 |
| Benefits and settlements paid directly by the Group | – | 3.9 | 3.9 | – | 5.3 | 5.3 |
| Total | – | 9.4 | 9.4 | 3.5 | 10.5 | 14.0 |

The expected contributions to the DB arrangements in 2024 are £3.0m of normal employer contributions and £2.5m of normal employee contributions, both in relation to overseas pension funds.

Other comprehensive income

Movements in pension assets and liabilities that arise during the year from changes in actuarial assumptions, or because actual experience is different from the actuarial assumptions, are recognised in equity via other comprehensive income. These movements are analysed below:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | UK £m | Overseas post employment £m | Overseas non-post employment £m | Total £m | UK £m | Overseas post employment £m | Overseas non-post employment £m | Total £m |
| Change in discount rate | (15.3) | (9.4) | | (24.7) | 203.9 | 26.0 | | 229.9 |
| Change in inflation | 3.1 | 0.5 | | 3.6 | 2.2 | 9.3 | | 11.5 |
| Change in other assumptions | 2.9 | – | | 2.9 | 2.3 | – | | 2.3 |
| Actuarial experience – assets/(liabilities) | 4.7 | (0.1) | | 4.6 | (2.1) | (1.2) | | (3.3) |
| Asset experience | (28.8) | 3.3 | | (25.5) | (309.2) | (8.5) | | (317.7) |
| Actuarial (losses)/gains in the year | (33.4) | (5.7) | | (39.1) | (102.9) | 25.6 | | (77.3) |
| Change in the asset ceiling | | 5.4 | | 5.4 | | (5.4) | | (5.4) |
| Exchange gains/(losses) | | 0.9 | 0.1 | 1.0 | | (2.8) | (0.4) | (3.2) |
| (Losses)/gains recognised through equity | (33.4) | 0.6 | 0.1 | (32.7) | (102.9) | 17.4 | (0.4) | (85.9) |

IMI takes advice from actuaries regarding the appropriateness of the assumptions used to determine the present value of the defined benefit obligations. These assumptions include the discount rate applied to the assets and liabilities, the life expectancy of the members, their expected salary and pension increases and inflation. The assumptions used for this purpose in these financial statements are summarised below:

| | Weighted averages | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| | UK* % pa | Overseas % pa | UK* % pa | Overseas % pa | UK** % pa | Overseas % pa |
| Inflation – RPI | 3.3 | – | 3.4 | n/a | 3.4 | n/a |
| Inflation – CPI (pre-2030) | 2.3 | 1.5 | 2.4 | 1.5 | 2.4 | 1.3 |
| Inflation – CPI (post-2030) | 3.3 | 1.5 | 3.4 | 1.5 | 3.4 | 1.3 |
| Discount rate | 4.5 | 2.4 | 4.8 | 3.0 | 1.9 | 0.8 |
| Expected salary increases | n/a | 1.9 | n/a | 1.8 | n/a | 1.7 |
| Rate of pension increases | 3.2 | 0.6 | 3.3 | 0.5 | 3.3 | 0.7 |

* Assumptions are based on 31 December market conditions and based on the weighted average of various buy-in policy assumptions

** Assumptions are based on 31 December 2021 UK market conditions excluding buy-ins

# Notes to the consolidated financial statements continued

## 14 Retirement benefits continued

| | 2023 years | 2022 years | 2021 years |
|---|---|---|---|
| Life expectancy (IMI Pension Fund only)** | | | |
| Current male pensioners | 21.0 | 21.5 | 21.8 |
| Current female pensioners | 23.5 | 23.9 | 24.1 |
| Future male pensioners | 22.3 | 22.8 | 23.1 |
| Future female pensioners | 24.9 | 25.4 | 25.6 |

** Life expectancies are based on members with a pension size of £5k-£20k for male members and £1k-£6k for female members.

The mortality assumptions used for the UK Funds above reflect its scheme-specific experience, together with an allowance for improvements over time. The experience was reviewed as part of the formal triennial actuarial valuation, carried out as at 31 March 2021. The assumptions used as at 31 December 2023 have been based on the results of this review, with the allowance for improvements over time updated to reflect the latest data available.

The table below illustrates how the UK Funds' net pension surplus would decrease (excluding the impact of inflation rate and interest rate hedging), as at 31 December 2023, in the event of the following reasonable changes in the key assumptions above:

| UK | 2023 £m | 2022 £m |
|---|---|---|
| Discount rate 0.1% pa lower* | 5.2 | 5.0 |
| Inflation-linked pension increases 0.1% pa higher | 4.6 | 4.0 |
| Increase of one year in life expectancy from age 65 | 9.8 | 10.0 |
| 10% fall in non-bond-like assets** | 2.9 | 11.0 |

* Due to the volatility of the discount rate year on year, sensitivities using a percentage of 0.1% are shown to provide the users of the accounts with the ability to adjust the sensitivities as they consider necessary.

** Fund assets excluding gilt, bonds and insurance policies.

The table below shows how the net pension deficit for IMI's non-UK plans would increase in the event of the following reasonable changes in the key assumptions above:

| Non-UK | 2023 £m | 2022 £m |
|---|---|---|
| Discount rate 0.1% pa lower | 1.6 | 1.4 |
| Salary increases 0.1% higher | 0.4 | 0.3 |
| Increase of one year in life expectancy at age 65 | 2.9 | 2.7 |

In each case, all other assumptions are unchanged.

**Income statement**

In accordance with IAS 19, pension costs recorded through the income statement primarily represent the increase in the DBO based on employee service during the year and the interest on the net liability or surplus for DBOs in respect of employee service in previous years. The table below shows the cost reported in the income statement in respect of pension obligations (excluding defined benefit contributions):

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | UK £m | Overseas post employment £m | Overseas non-post employment £m | Total £m | UK £m | Overseas post employment £m | Overseas non-post employment £m | Total £m |
| Current service cost | | 3.5 | 0.5 | 4.0 | | 4.5 | 0.8 | 5.3 |
| Recognition of gains | | | (0.3) | (0.3) | | | (0.1) | (0.1) |
| Pension expense – operating costs | – | 3.5 | 0.2 | 3.7 | | 4.5 | 0.7 | 5.2 |
| Interest on DBO | 14.1 | 3.6 | 0.2 | 17.9 | 9.2 | 1.1 | 0.1 | 10.4 |
| Interest on assets ceiling | | 0.1 | | 0.1 | | | | – |
| Interest on assets | (15.4) | (2.1) | | (17.5) | (11.5) | (0.4) | | (11.9) |
| Interest (income)/expense – financing costs | (1.3) | 1.6 | 0.2 | 0.5 | (2.3) | 0.7 | 0.1 | (1.5) |



**Overall reconciliation of changes in the net (liability)/surplus for DBOs**

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | DBO £m | Assets £m | Asset ceiling £m | Net defined benefit (liability)/ asset £m | DBO £m | Assets £m | Asset ceiling £m | Net defined benefit asset/ (liability) £m |
| Brought forward at start of year | (425.4) | 412.2 | (5.7) | (18.9) | (657.2) | 719.7 | | 62.5 |
| Income Statement (charges)/credits | | | | | | | | |
| Current service cost | (4.0) | | | (4.0) | (5.3) | | | (5.3) |
| Settlements | | | | – | 1.2 | (1.2) | | – |
| Net interest (cost)/income on net DB (liability)/asset | (17.9) | 17.5 | (0.1) | (0.5) | (10.4) | 11.9 | | 1.5 |
| Immediate recognition of gains/(losses) – other long-term benefits | 0.3 | | | 0.3 | 0.1 | | | 0.1 |
| Total charged to income statement | (21.6) | 17.5 | (0.1) | (4.2) | (14.4) | 10.7 | – | (3.7) |
| Remeasurements recognised in other comprehensive income | | | | | | | | |
| Actuarial gain/(loss) due to actuarial experience | 4.6 | | | 4.6 | (3.3) | | | (3.3) |
| Actuarial (loss)/gain due to financial assumption changes | (21.1) | | | (21.1) | 241.6 | | | 241.6 |
| Actuarial gain due to demographic assumption changes | 2.9 | | | 2.9 | 2.2 | | | 2.2 |
| Return on plan assets* less than discount rate | | (25.5) | | (25.5) | | (317.8) | | (317.8) |
| Change in asset ceiling | | | 5.4 | 5.4 | | | (5.4) | (5.4) |
| Total remeasurements recognised in other comprehensive income | (13.6) | (25.5) | 5.4 | (33.7) | 240.5 | (317.8) | (5.4) | (82.7) |
| Cash flows in the year | | | | | | | | |
| Employer contributions | | 3.0 | | 3.0 | | 2.9 | | 2.9 |
| Employee contributions | (2.5) | 2.5 | | | (2.3) | 2.3 | | – |
| Benefits paid directly by the Company | 3.9 | | | 3.9 | 5.3 | | | 5.3 |
| Benefits paid from plan assets | 12.4 | (12.4) | | – | 13.6 | (13.6) | | – |
| Net cash inflow/(outflow) | 13.8 | (6.9) | – | 6.9 | 16.6 | (8.4) | – | 8.2 |
| Other movements | | | | | | | | |
| Changes in exchange rates | (2.7) | 3.7 | | 1.0 | (10.9) | 8.0 | (0.3) | (3.2) |
| Total other movements | (2.7) | 3.7 | – | 1.0 | (10.9) | 8.0 | (0.3) | (3.2) |
| Carried forward at end of year | (449.5) | 401.0 | (0.4) | (48.9) | (425.4) | 412.2 | (5.7) | (18.9) |

* Net of management costs.

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# Notes to the consolidated financial statements continued

## 15. Inventories

**Accounting policy**
Inventories are valued at the lower of cost and net realisable value. Due to the varying nature of the Group's operations, both first in, first out and weighted average methodologies are employed. In respect of work in progress and finished goods, cost includes all direct costs of production and the appropriate proportion of production overheads.

The Group sells a wide range of highly technical products and whilst they are designed and engineered to a high degree of precision and to customer specifications, there is a risk of products requiring modification, which can lead to excess or obsolete inventory. The amount of inventory provision recognised is disclosed below.

2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

**Inventories**

| | 2023 £m | 2022 (Restated) £m |
|---|---|---|
| Raw materials and consumables | 162.1 | 164.8 |
| Work in progress | 174.4 | 136.7 |
| Finished goods | 100.8 | 116.2 |
| | 437.3 | 417.7 |
| Inventories are stated after: | | |
| Allowance for impairment | 59.0 | 52.5 |

In 2023, the cost of inventories recognised as an expense (being segmental cost of sales) amounted to £1,183.7m (2022: £1,112.1m).

In 2023, the write-down of inventories to net realisable value amounted to £0.1m (2022: £0.1m). Write-downs and reversals in both years relate to ongoing assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

## 16. Trade and other receivables

**Accounting policy**
The recoverable amount of the Group's receivables other than financial assets held at fair value is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration of less than one year are not discounted. Other receivables comprise various assets across the Group, including sales tax receivables and other non-trade balances.

The expected credit loss is calculated based on the ageing of individual customers' receivables, giving consideration to the geographical location in which they operate, historical collectability and the customer's financial position, where this information is known.

**Trade and other receivables**
2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| Current | 2023 £m | 2022 (Restated) £m |
|---|---|---|
| Trade receivables | 402.6 | 367.1 |
| Prepayments | 24.6 | 23.6 |
| Accrued income | 11.2 | 2.3 |
| Other receivables | 85.5 | 90.9 |
| | 523.9 | 483.9 |
| Receivables are stated after: | | |
| Allowance for impairment | 18.0 | 16.4 |

**Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents held by the Group's banks and other financial assets. At the end of 2023 these totalled £565.8m (2022: £526.1m).

**Managing credit risk arising from customers**
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Our largest single customer accounted for 2% of our 2023 revenues (2022: 2%).

Geographically, there is no unusual concentration of credit risk. The Group's contract approval procedure ensures that large contracts are signed off at executive director level at which time the risk profile of the contract, including potential credit and foreign exchange risks, is reviewed. Credit risk is minimised through due diligence regarding potential customers, appropriate credit limits, cash flow management and the use of documentary credits where appropriate.

**Exposure to credit risk in respect of trade receivables**
2022 results have been restated in the below table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| | Carrying amount | |
|---|---|---|
| | 2023 £m | 2022 (Restated) £m |
| UK | 17.5 | 16.7 |
| Germany | 28.3 | 33.0 |
| Rest of Europe | 108.1 | 98.3 |
| USA | 77.9 | 75.7 |
| Asia Pacific | 105.8 | 95.6 |
| Rest of World | 65.0 | 47.8 |
| Total | 402.6 | 367.1 |

# Notes to the consolidated financial statements continued

## 16 Trade and other receivables continued

The maximum exposure to credit risk for trade receivables at the reporting date by segment is shown in the table below. 2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| | Carrying amount | |
|---|---|---|
| | 2023 £m | 2022 (Restated) £m |
| Automation | 302.8 | 249.7 |
| Life Technology | 99.8 | 117.4 |
| Total | 402.6 | 367.1 |

**Impairment provisions for trade receivables**

The ageing of trade receivables at the reporting date is shown in the following table. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| | 2023 | | 2022 (Restated) | |
|---|---|---|---|---|
| | Gross £m | Impairment £m | Gross £m | Impairment £m |
| Not past due | 343.0 | (0.1) | 315.6 | (0.1) |
| Past due 1-30 days | 36.2 | (0.9) | 30.7 | (0.9) |
| Past due 31-90 days | 14.9 | (1.0) | 14.4 | (0.9) |
| Past due over 90 days | 26.5 | (16.0) | 22.8 | (14.5) |
| Total | 420.6 | (18.0) | 383.5 | (16.4) |

The net movement in the allowance for impairment in respect of trade receivables during the year is shown in the below table. 2022 results have been re-presented to correct a typographical error between amounts 'utilised during the year' and 'charged to the income statement'.

| | 2023 £m | 2022 (Re-presented) £m |
|---|---|---|
| Net balance at 1 January | 16.4 | 15.7 |
| Acquisitions | – | (0.4) |
| Utilised during the year | (0.7) | (0.1) |
| Charged to the income statement | 3.9 | 2.0 |
| Released | (1.4) | (1.6) |
| Exchange | (0.2) | 0.8 |
| Net balance at 31 December | 18.0 | 16.4 |

**Managing credit risk arising from counterparties**

A group of relationship banks provides the bulk of the banking services, with preapproved credit limits set for each institution. Financial derivatives are entered into with these core banks and the credit exposure to these instruments is included when considering the credit exposure to the counterparties. At the end of 2023, credit exposure including cash deposited did not exceed £19.0m with any single institution (2022: £16.0m).



## 17 Financial assets and liabilities

Financial instruments included in the financial statements are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. The Group generally calculates its own fair values using comparable observed market prices and a valuation model using the respective and relevant market data for the instrument being valued.

The table below sets out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2023 and 31 December 2022. Under IFRS 9, all derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through the income statement. The Group does not use derivatives for speculative purposes and transacts all derivatives with suitable investment-grade counterparties. All transactions in derivative financial instruments are undertaken to manage the risks arising from the Group's business activities. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| | Fair value | | | | | |
|---|---|---|---|---|---|---|
| | Designated at fair value £m | Other derivatives at fair value £m | Financial assets at fair value* £m | At amortised cost £m | Total carrying value £m | Fair value if different £m |
| 2023 | | | | | | |
| Cash and cash equivalents | | | 106.5 | | 106.5 | |
| Bank overdrafts | | | | (66.3) | (66.3) | |
| Borrowings due within one year | | | | (47.2) | (47.2) | |
| Borrowings due after one year | | | | (531.4) | (531.4) | (511.7) |
| Lease liabilities | | | | (100.2) | (100.2) | |
| Trade and other payables** | | | | (485.6) | (485.6) | |
| Trade receivables | | | | 402.6 | 402.6 | |
| Investments | | | 1.7 | | 1.7 | |
| Other current financial assets/(liabilities) | | | | | | |
| Derivative assets*** | | 12.1 | | | 12.1 | |
| Derivative liabilities**** | (3.5) | (7.4) | | | (10.9) | |
| Total | (3.5) | 4.7 | 108.2 | (828.1) | (718.7) | |
| 2022 | | | | | | |
| Cash and cash equivalents | | | 133.0 | | 133.0 | |
| Bank overdrafts | | | | (93.8) | (93.8) | |
| Borrowings due within one year | | | | (150.1) | (150.1) | |
| Borrowings due after one year | | | | (595.4) | (595.4) | (554.2) |
| Lease liabilities | | | | (105.7) | (105.7) | |
| Trade and other payables | | | | (445.9) | (445.9) | |
| Trade receivables | | | | 367.1 | 367.1 | |
| Investments | | | 2.0 | | 2.0 | |
| Other current financial assets/(liabilities) | | | | | | |
| Derivative assets** | | 15.7 | | | 15.7 | |
| Derivative liabilities*** | (3.9) | (9.9) | | | (13.8) | |
| Total | (3.9) | 5.8 | 135.0 | (1 023.8) | (886.9) | |

* This classification includes items for which the movement in fair value will be recognised both in profit or loss and other comprehensive income.

** Trade and other payables exclude non-financial tax and include liabilities of £4.5m (2022: £7.0m) related to falling due after more than one year.

*** Includes £0.8m (2022: £2.6m) falling due after more than one year.

**** Derivative liabilities include liabilities of £0.2m (2022: £0.4m) falling due after more than one year, £0.2m in 1-2 years and £nil in 2-3 years (2022: £0.4m in 1-2 years and £nil in 2-3 years). Derivative liabilities designated at fair value represent the fair value of unsettled net investment hedge derivatives. The increase in value of net investment hedge derivatives in the year of £13.4m is shown in the consolidated statement of comprehensive income.

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# Notes to the consolidated financial statements continued

## 17. Financial assets and liabilities continued

The decrease in other derivative assets and liabilities at fair value of £1.1m is recognised in the income statement and consists of £1.3m decrease of unsettled net foreign currency and metal forward contracts, which are not designated as hedges for accounting purposes offset by an increase of £0.2m of forward contracts to be utilised against specific trade receivables and trade payables.

There are no other financial liabilities included within payables disclosed above.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

| | Quoted prices in active markets for identical assets and liabilities Level 1 £m | Significant other observable inputs Level 2 £m | Total £m |
|---|---|---|---|
| As at 31 December 2023 | | | |
| Financial assets measured at fair value | | | |
| Equity instruments* | 1.7 | | 1.7 |
| Foreign currency forward contracts | | 12.1 | 12.1 |
| | 1.7 | 12.1 | 13.8 |
| Financial liabilities measured at fair value | | | |
| Foreign currency forward contracts | | (10.9) | (10.9) |
| | | (10.9) | (10.9) |
| As at 31 December 2022 | | | |
| Financial assets measured at fair value | | | |
| Equity instruments* | 2.0 | | 2.0 |
| Foreign currency forward contracts | | 15.7 | 15.7 |
| | 2.0 | 15.7 | 17.7 |
| Financial liabilities measured at fair value | | | |
| Foreign currency forward contracts | | (13.8) | (13.8) |
| | | (13.8) | (13.8) |

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

**Valuation techniques for level 2 inputs**

Derivative assets and liabilities of £12.1m and £10.9m, respectively, are valued by level 2 techniques. The valuations are derived from discounted contractual cash flows using observable, and directly relevant, market interest rates and foreign exchange rates from market data providers.

**Valuation techniques for level 3 inputs**

At 31 December 2023, the Group held one external investment at fair value using significant unobservable (level 3) inputs. The valuation is derived using the cash flows of the investment which indicate a fair value of £nil.

**Valuation methodology**

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

Long-term and short-term borrowings, apart from any that are subject to hedging arrangements, are carried at amortised cost as it is the intention that they will not be repaid prior to maturity, where this option exists. The fair values are evaluated by the Group based on parameters such as interest rates and relevant credit spreads.

Long-term borrowings that are subject to hedging arrangements are valued using appropriate discount rates to value the relevant hedged cash flows.

Derivative assets and liabilities, including foreign exchange forward contracts, interest rate swaps and metal hedges, are valued using comparable observed market prices and a valuation model using foreign exchange spot and forward rates, interest rate curves and forward rate curves for the underlying commodities.

## 18. Financial risk management

**Overview**

The Group's activities expose it to a variety of financial risks: interest rate, foreign exchange and base metal price movements, in addition to funding and liquidity risks. The financial instruments used to manage these risks themselves introduce exposure to market risk and liquidity risk.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. As described in the Corporate Governance Report on page 112 the Executive Committee monitors risk and internal controls and the Audit Committee monitors financial risk, while the other Board Committees also play a part in contributing to the oversight of risk.

The Audit Committee oversees how Management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the financial risks faced by the Group. The Group Assurance department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following sections discuss the management of specific financial risk factors in detail, including market risk, foreign exchange risk, interest rate risk, commodity risk and liquidity risk. The management of credit risk is disclosed in Note 16.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income and cash flows or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Under the management of the central Treasury function, the Group enters into derivatives in the ordinary course of business and also manages financial liabilities in order to mitigate market risks. All such transactions are carried out within the guidelines set by the Board and are undertaken only if they relate to underlying exposures.

**Foreign exchange risk**

The Group publishes consolidated accounts in Sterling but conducts much of its global business in other currencies. As a result, it is subject to the risks associated with foreign exchange movements affecting transaction costs (transactional risk), translation of foreign profits (profit translation risk) and translation of the underlying net assets of foreign operations (asset translation risk).

## 18 Financial risk management continued

### Management of transactional risk

The Group's wide geographical spread both in terms of cost base and customer locations helps to reduce the impact on profitability of swings in exchange rates as well as creating opportunities for central netting of exposures. It is the Group's policy to minimise risk to exchange rate movements affecting sales and purchases by economically hedging or netting currency exposures at the time of commitment, or when there is a high probability of future commitment, using currency instruments (primarily forward exchange contracts). A proportion of forecast exposures are hedged depending on the level of confidence and hedging is periodically adjusted following regular reviews. On this basis over 50% of the Group's annual exposures to transactional risk are likely to be hedged at any point in time and the Group's net transactional exposure to different currencies varies from time to time.

### Management of profit translation risk

The Group is exposed to the translation of profits denominated in foreign currencies into the Sterling-based income statement. The interest cost related to the currency liabilities hedging the asset base provides a partial hedge to this exposure. Short-term currency option contracts may be used to provide limited protection against Sterling strength on an opportunistic basis. The translation of US Dollar and Euro-based profits represent the most significant translation exposures for the Group.

### Management of asset translation risk

The Group hedges its net investments in its major overseas operations by way of external currency loans and forward currency contracts. The intention is to manage the Group's exposure to gains and losses in Group equity resulting from the retranslation of currency net assets at balance sheet dates.

To the extent that an instrument used to hedge a net investment in a foreign operation is determined to be an effective hedge, the gain or loss arising is recognised directly in the translation reserves. Any ineffective portion is recognised immediately in the income statement.

The Group have designated £205m (2022: £288m) of loans in a net investment hedge of USD net assets and £374m (2022: £381m) of EUR net assets. No ineffectiveness was recorded (2022: £nil) and a gain of £0.4m (2022: £8.8m loss) was taken to the translation reserve. The amount accumulated in this reserve in respect of gains/losses arising on hedging instruments designated in net investment hedges up to 31 December 2023 was an accumulated loss of £0.8m (2022: accumulated loss of £1.2m).

### Currency profile of assets and liabilities

| | Cash 2023 £m | Debt 2023 £m | Lease liabilities 2023 £m | Exchange contracts 2023 £m | Assets and liabilities subject to interest rate risk 2023 £m | Other net assets 2023 £m | Total net assets 2023 £m | Total net assets 2022 £m |
|---|---|---|---|---|---|---|---|---|
| Sterling | (74) | | (13) | 290 | 203 | 194 | 397 | 191 |
| US Dollar | (6) | (205) | (7) | | (218) | 612 | 394 | 368 |
| Euro | 29 | (374) | (29) | (184) | (558) | 546 | (12) | 64 |
| Other | 91 | | (51) | (106) | (66) | 317 | 251 | 283 |
| Total | 40 | (579) | (100) | – | (639) | 1,669 | 1,030 | 906 |

* Cash is stated net of overdrafts.

** Other net assets include leased assets: £11.9m Sterling (2022: £14.4m); £9.1m US Dollar (2022: £8.1m); £54.0m Euro (2022: £33.5m) and £24.6m Other (2022: £50.7m).

Exchange contracts and non-Sterling debt are financial instruments used as currency hedges of overseas net assets.

### Interest rate risk

The Group is exposed to a number of global interest rates through assets and liabilities denominated in jurisdictions to which these rates are applied, most notably US, Eurozone and UK rates. The Group is exposed to these because market movements in these rates will increase or decrease the interest charge recognised in the Group income statement.

### Management of interest rate risk

The Group adopts a policy of maintaining a portion of its liabilities at fixed interest rates and reviewing the balance of the floating rate exposure to ensure that if interest rates rise globally, the effect on the Group's income statement is manageable.

Interest rates are managed using fixed and floating rate debt and financial instruments including interest rate swaps. Floating rate liabilities comprise short-term debt which bears interest at short-term bank rates and the liability side of exchange contracts where the interest element is based primarily on three-month inter-bank rates.

All cash surpluses are invested for short periods and are treated as floating rate investments.

Non-interest bearing financial assets and liabilities, including short-term trade receivables and payables, have been excluded from the following analysis.

### Interest rate risk profile

The following table shows how much of our cash, interest-bearing liabilities and exchange contracts attract both fixed and floating rate interest charges, and how this is analysed between currencies.

| | Debt and exchange contracts* 2023 £m | Cash and exchange contracts 2023 £m | Assets subject to interest rate risk* 2023 £m | Floating rate 2023 £m | Fixed rate 2023 £m | Weighted average fixed interest rate % | Weighted average period for which rate is fixed years |
|---|---|---|---|---|---|---|---|
| Sterling | (13) | 216 | 203 | 203 | | | |
| US Dollar | (212) | (6) | (218) | (60) | (158) | 3.9 | 2.6 |
| Euro | (587) | 29 | (558) | (184) | (374) | 2.3 | 4.0 |
| Other | (157) | 91 | (66) | (66) | | | |
| Total | (969) | 330 | (639) | (107) | (532) | | |

* Net of lease liabilities: £13m Sterling; £7m US Dollar; £29m Euro and £51m Other.

| | Debt and exchange contracts 2022 £m | Cash and exchange contracts 2022 £m | Assets subject to interest rate risk* 2022 £m | Floating rate 2022 £m | Fixed rate 2022 £m | Weighted average fixed interest rate % | Weighted average period for which rate is fixed years |
|---|---|---|---|---|---|---|---|
| Sterling | (94) | 141 | 47 | 47 | | | |
| US Dollar | (297) | (4) | (301) | (136) | (165) | 3.9 | 3.6 |
| Euro | (517) | 52 | (465) | (84) | (381) | 2.3 | 5.0 |
| Other | (153) | 59 | (94) | (94) | | | |
| Total | (1,061) | 248 | (813) | (267) | (546) | | |

* Net of lease liabilities: £16m Sterling; £8m US Dollar; £8m Euro and £50m Other.

### Market risk sensitivity analysis on financial instruments

In estimating the sensitivity of the financial instruments, all other variables are held constant to determine the impact on profit before tax and equity. The analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The values shown in the table below are estimates of the impact on financial instruments only. Actual results in the future may differ materially from these estimates. As such, this table should not be considered as a projection of likely future gains and losses in these financial instruments.

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# Notes to the consolidated financial statements continued

## 18. Financial risk management continued

### Sensitivity table

The outputs from the sensitivity analysis are estimates of the impact of market risk assuming that the specified changes occur only to the financial derivatives and do not reflect the opposite movement from the impact of the specific change on the underlying business that they are designed to hedge.

| | 1% decrease in interest rates £m | 1% increase in interest rates £m | 10% weakening in Sterling £m | 10% strengthening in Sterling £m |
|---|---|---|---|---|
| At 31 December 2023 | | | | |
| Impact on income statement: gain/(loss) | 0.5 | (0.5) | (18.4) | 18.4 |
| Impact on equity: (loss)/gain | | | (75.2) | 75.2 |
| At 31 December 2022 | | | | |
| Impact on income statement: gain/(loss) | 2.0 | (2.0) | (11.3) | 11.3 |
| Impact on equity: (loss)/gain | | | (77.2) | 77.2 |

### Commodity risk

The Group's operating companies purchase metal and metal components and are, therefore, exposed to changes in commodity prices.

The Group manages this exposure through a centralised process hedging copper, zinc and aluminium using a combination of financial contracts and local supply agreements designed to minimise the volatility of short-term margins.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

### Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have adequate resources to meet its liabilities when they fall due, with sufficient headroom to cope with abnormal market conditions. This position is reviewed on a quarterly basis.

Funding for the Group is co-ordinated centrally by the Treasury function and comprises committed bilateral facilities with a core group of banks, and a series of US loan note issues. The level of facilities is maintained such that facilities and term loans exceed the forecast peak gross debt of the Group over a rolling 12-month view by an appropriate amount taking into account market conditions and corporate activity, including acquisitions, organic growth plans and share buybacks. In addition, we undertake regular covenant compliance reviews to ensure that we remain fully within those covenant limits. At the end of 2023, the Group had undrawn committed facilities totalling £300.0m (2022: £200.0m) and was holding cash and cash equivalents of £106.5m (2022: £133.0m). There are no significant seasonal funding requirements or capital intensive investment areas for the Group.

### Capital management

#### Overview

Capital management concerns the decision as to how the Group's activities are financed and specifically, how much of the Group capital is provided by borrowings (or debt) and how much of it is financed with equity raised from the issue of share capital.

The Board's policy is to maintain a balance sheet with a broad capital base and the strength to sustain the future development of the business, including acquisitions.

The capital base of the Group includes total equity and reserves and net debt. Employee benefit obligations net of deferred tax form part of the extended capital base. Management of this element of the capital base is discussed further in Note 14 of the financial statements. Undrawn committed funding facilities are maintained as described in Note 19 to provide additional capital for growth (including acquisitions and organic investments) and liquidity requirements as discussed above. 2022 results have been restated in the following table to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

#### Capital base

| | 2023 £m | 2022 £m (Restated) |
|---|---|---|
| Total equity | 1,030 | 906 |
| Gross debt including overdrafts | 645 | 839 |
| Gross cash | (107) | (133) |
| Capital base | 1,568 | 1,612 |
| Employee benefits and deferred tax assets | 24 | 53 |
| Extended capital base | 1,592 | 1,665 |
| Undrawn funding facilities | 300 | 200 |
| Available capital base | 1,892 | 1,865 |

Part of the capital base is held in currencies to broadly match the currency base of the assets being funded as described in the asset translation risk section.

#### Debt or equity

The balance between debt and equity in the capital base of the Group is considered regularly by the Board in light of market conditions, business forecasts, growth opportunities and the ratio of net debt to adjusted EBITDA. Funding covenants currently limit net debt to a maximum of 3.0 times EBITDA. The net debt to EBITDA ratio at the end of 2023 was 1.3 times (2022: 1.8 times). Through the life of our five-year plan, the Board would consider appropriate acquisitions that could take net debt up to 2.5 times EBITDA on acquisition, provided that a clear plan exists to reduce this ratio back to under 2.0 times. It is expected that at these levels our debt would continue to be perceived as investment grade. The potential benefits to equity shareholders of greater leverage are offset by higher risk and the cost and availability of funding. The Board will consider raising additional equity in the event that it is required to support the capital base of the Group.

# Notes to the consolidated financial statements continued

## 19 Net debt

Net debt is the Group's key measure used to evaluate total outstanding debt, net of the current cash resources. Some of the Group's borrowings (and cash) are held in foreign currencies. Movements in foreign exchange rates affect the Sterling value of the net debt. Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### Movement in net debt

| | 2023 £m | 2022 £m |
|---|---|---|
| Adjusted EBITDA* | 503.2 | 457.0 |
| Working capital movements | (31.3) | (85.1) |
| Capital and development expenditure | (79.9) | (71.3) |
| Provisions and employee benefit movements** | (2.7) | 1.5 |
| Principal elements of lease payments | (29.0) | (32.3) |
| Other | 6.0 | 20.2 |
| Adjusted operating cash flow*** | 366.3 | 290.0 |
| Adjusting items | (43.1) | (52.6) |
| Tax paid | (76.1) | (48.6) |
| Interest | (22.7) | (19.2) |
| Derivatives | 9.8 | (8.6) |
| Additional pension scheme funding | – | (3.5) |
| Free cash flow before corporate activity | 234.2 | 157.5 |
| Dividends paid to equity shareholders | (68.8) | (62.2) |
| Acquisition and disposal of subsidiaries | 0.5 | (213.3) |
| Net purchase of own shares | 0.6 | (18.8) |
| Net cash flow (excluding debt movements) | 165.5 | (136.8) |

* Adjusted profit after tax £302.9m before interest £23.2m, tax £64.5m, depreciation £74.8m, amortisation £17.6m and impairment on property, plant and equipment and intangible assets £0.2m.

** Movement in provisions and employee benefits as per the statement of cash flows £0.9m adjusted for the movement in the restructuring provisions £1.6m.

*** 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 and acquired intangible assets and new additions plus cash received from the sale of property, plant and equipment and the cash investments (excluding the cash impact of adjusting items). This measure best reflects the operating cash flow of the Group.

### Reconciliation of net cash to movement in net debt

| | 2023 £m | 2022 £m |
|---|---|---|
| Net increase in cash and cash equivalents, excluding foreign exchange | 17.7 | 11.0 |
| Less: cash acquired/disposed | 0.4 | (10.0) |
| Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired | 148.4 | (137.8) |
| Decrease/(Increase) in net debt before acquisitions, disposals and foreign exchange | 166.5 | (136.8) |
| Net (debt)/cash acquired/disposed | (0.4) | 10.0 |
| Currency translation differences | 1.8 | (50.6) |
| Movement in lease liabilities | 5.5 | (11.8) |
| Movement in net debt in the year | 173.4 | (189.2) |
| Net debt at the start of the year | (812.0) | (622.8) |
| Net debt at the end of the year | (638.6) | (812.0) |

### Reconciliation of adjusted operating cash flow to cash flow statement

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash generated from operations | 439.3 | 335.8 |
| Principal lease payments | (29.0) | (32.3) |
| Settlement of transactional derivatives | (8.8) | 2.3 |
| Acquisition of property, plant and equipment and non-acquired intangibles | (79.9) | (71.3) |
| Adjusting items | 43.1 | 52.6 |
| Proceeds from sale of property, plant and equipment | 1.6 | 2.9 |
| Adjusted operating cash flow | 366.3 | 290.0 |

### Reconciliation of cash and cash equivalents

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash and cash equivalents in current assets | 106.5 | 133.0 |
| Bank overdraft in current liabilities | (66.3) | (93.8) |
| Cash and cash equivalents | 40.2 | 39.2 |

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# Notes to the consolidated financial statements continued

## 19. Net debt continued

### Analysis of net debt

| | Cash and cash equivalents £m | Borrowings and finance leases due within one year £m | Borrowings and finance leases due after more than one year £m | Lease creditors £m | Total net debt £m |
|---|---|---|---|---|---|
| At 1 January 2022 | 29.1 | (127.7) | (430.3) | (93.9) | (622.8) |
| Lease additions, extensions, terminations and payment changes | | | | (41.4) | (41.4) |
| Lease payments and interest | | | | 32.3 | 32.3 |
| Cash flow excluding settlement of currency derivatives hedging balance sheet and net cash/(debt) disposed of/acquired | 2.5 | (21.1) | (123.1) | | (141.7) |
| Cash/(debt) acquired | 10.0 | | | | 10.0 |
| Settlement of currency derivatives hedging balance sheet | (6.3) | | | | (6.3) |
| Currency translation differences | 3.9 | (1.3) | (42.0) | (2.7) | (42.1) |
| At 31 December 2022 | 39.2 | (150.1) | (595.4) | (105.7) | (812.0) |
| Lease additions, extensions, terminations and payment changes | | | | (24.2) | (24.2) |
| Lease payments and interest | | | | 29.0 | 29.0 |
| Cash flow excluding settlement of currency derivatives hedging balance sheet and net cash/debt disposed of/acquired | 3.0 | 99.2 | 49.6 | | 151.8 |
| Settlement of currency derivatives hedging balance sheet | 1.0 | | | | 1.0 |
| Currency translation differences | (3.0) | 3.7 | 14.4 | 0.7 | 15.8 |
| At 31 December 2023 | 40.2 | (47.2) | (531.4) | (100.2) | (638.6) |

### Undrawn committed facilities

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December in respect of which all conditions precedent had been met were as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| Expiring within one year | 100.0 | – |
| Expiring between one and two years | 75.0 | 193.5 |
| Expiring after more than two years | 125.0 | 6.0 |
| Total | 300.0 | 199.5 |

The weighted average life of these facilities is 1.6 years (2022: 0.9 years).

### Terms and debt repayment schedule

The terms and conditions of cash and cash equivalents, outstanding loans, lease liabilities and derivative financial liabilities were as follows:

| | Effective interest rate % | Carrying value £m | Contractual cash flows £m | 0 to <1 year £m | 1 to <2 years £m | 2 to <3 years £m | 3 to <4 years £m | 4 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | | | | | | | | | |
| Cash and cash equivalents | Floating | 106.5 | 106.5 | 106.5 | | | | | |
| Term loan 2024 | Floating | (47.2) | (47.2) | (47.2) | | | | | |
| US loan notes 2025 | 1.39% | (130.4) | (134.0) | (1.8) | (132.2) | | | | |
| US loan notes 2026 | 3.86% | (98.4) | (109.8) | (3.8) | (3.8) | (102.2) | | | |
| US loan notes 2027 | 3.92% | (59.1) | (68.3) | (2.3) | (2.3) | (2.3) | (61.4) | | |
| US loan notes 2028 | 1.53% | (69.6) | (75.1) | (1.1) | (1.1) | (1.1) | (1.1) | (70.7) | |
| US loan notes 2029 | 3.30% | (87.0) | (104.4) | (2.9) | (2.9) | (2.9) | (2.9) | (2.9) | (89.9) |
| US loan notes 2030 | 3.40% | (87.0) | (108.0) | (3.0) | (3.0) | (3.0) | (3.0) | (3.0) | (93.0) |
| Bank overdrafts | Floating | (66.3) | (66.3) | (66.3) | | | | | |
| Lease liabilities | Various | (100.2) | (100.2) | (25.2) | (18.6) | (15.7) | (12.2) | (8.5) | (20.0) |
| Derivative financial liabilities | | (10.9) | (10.9) | (10.7) | (0.2) | | | | |
| Total | | (649.6) | (717.7) | (57.8) | (164.1) | (127.2) | (80.6) | (85.1) | (202.9) |

| | Effective interest rate % | Carrying value £m | Contractual cash flows £m | 0 to <1 year £m | 1 to <2 years £m | 2 to <3 years £m | 3 to <4 years £m | 4 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | | | | | | | | | |
| Cash and cash equivalents | Floating | 133.0 | 133.0 | 133.0 | | | | | |
| Revolving credit facilities | Floating | (100.5) | (100.5) | (100.5) | | | | | |
| Term loan 2023 | Floating | (49.6) | (49.6) | (49.6) | | | | | |
| Term loan 2024 | Floating | (49.6) | (49.6) | (24.8) | (24.8) | | | | |
| US loan notes 2025 | 1.39% | (132.7) | (138.1) | (1.8) | (1.8) | (134.5) | | | |
| US loan notes 2026 | 3.86% | (103.3) | (119.3) | (4.0) | (4.0) | (4.0) | (107.3) | | |
| US loan notes 2027 | 3.92% | (62.0) | (74.0) | (2.4) | (2.4) | (2.4) | (2.4) | (64.4) | |
| US loan notes 2028 | 1.53% | (70.8) | (77.4) | (1.1) | (1.1) | (1.1) | (1.1) | (1.1) | (71.9) |
| US loan notes 2029 | 3.30% | (88.5) | (108.8) | (2.9) | (2.9) | (2.9) | (2.9) | (2.9) | (94.3) |
| US loan notes 2030 | 3.40% | (88.5) | (112.5) | (3.0) | (3.0) | (3.0) | (3.0) | (3.0) | (97.5) |
| Bank overdrafts | Floating | (93.8) | (93.8) | (93.8) | | | | | |
| Lease liabilities | Various | (105.7) | (105.7) | (25.8) | (22.1) | (15.8) | (11.8) | (9.9) | (20.3) |
| Derivative financial liabilities | | (13.8) | (13.8) | (13.4) | (0.4) | | | | |
| Total | | (825.8) | (910.1) | (190.1) | (62.5) | (163.7) | (128.5) | (81.3) | (284.0) |

Contractual cash flows include undiscounted committed interest cash flows and, where the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date.

## 19 Net debt continued

**Changes in liabilities arising from financing activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 1 January 2023 £m | Financing cash flows* £m | Acquisition of subsidiary £m | New leases £m | Exchange £m | Other** £m | 31 December 2023 £m |
| 2023 | | | | | | | |
| Revolving credit facilities | (100.5) | 100.1 | | | 0.4 | | – |
| Term loan 2023 and 2024 | (99.2) | 48.3 | | | 3.7 | | (47.2) |
| US loan notes | (545.8) | | | | 14.4 | | (531.4) |
| Bank overdrafts | (93.8) | 27.5 | | | | | (66.3) |
| Lease liabilities | (105.7) | 31.9 | | (24.2) | 0.7 | (2.9) | (100.2) |
| Total | (945.0) | 207.8 | | (24.2) | 19.2 | (2.9) | (745.1) |

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 1 January 2022 £m | Financing cash flows* £m | Acquisition of subsidiary £m | New leases £m | Exchange £m | Other** £m | 31 December 2022 £m |
| 2022 | | | | | | | |
| Revolving credit facilities | (70.3) | (35.0) | | | 4.8 | | (100.5) |
| Term loan 2023 and 2024 | (133.3) | 24.0 | | | 10.1 | | (99.2) |
| Acquired loan | (1.8) | 1.8 | | | | | – |
| US loan notes | (352.6) | (221.9) | | | 28.7 | | (545.8) |
| Bank overdrafts | (65.5) | (28.3) | | | | | (93.8) |
| Lease liabilities | (93.9) | 35.1 | | (41.4) | (2.7) | (2.8) | (105.7) |
| Total | (717.4) | (224.3) | – | (41.4) | 40.9 | (2.8) | (945.0) |

* Financing cash flows exclude the impact of interest paid.

** Includes IFRS 16 interest payments.

**Interest-bearing loans and borrowings**

The Group borrows money from financial institutions in the form of bonds and other financial instruments. These generally have fixed interest rates and are for a fixed term or are drawn from committed borrowing facilities that generally have floating interest rates. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 18.

| | 2023 £m | 2022 £m |
|---|---|---|
| Current liabilities | | |
| Unsecured loan notes and other loans | 47.2 | 150.1 |
| Lease liabilities | 25.2 | 25.8 |
| Total | 72.4 | 175.9 |
| | | |
| Non-current liabilities | | |
| Unsecured loan notes and other loans | 531.4 | 595.4 |
| Lease liabilities | 75.0 | 79.9 |
| Total | 606.4 | 675.3 |

## 20 Provisions

**Accounting policy**

A provision is recorded instead of a payable when uncertainty exists over the timing and amount of the cash outflow. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are valued at Management's best estimate of the amount required to settle the present obligation at the balance sheet date.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

The recognition of a provision requires estimation. The principal estimates made in respect of the Group's provisions using the best estimate methodology (with the exception of indemnity provisions as noted below) concern the timing and amount of payments required to:

- cover the costs of known restructuring projects;
- reimburse customers for potential product warranty claims;
- ensure that current and former manufacturing sites meet relevant environmental standards;
- reflect the estimated outcome of ongoing legal disputes; and
- provide against indemnities following the disposal of subsidiaries.

Analysis of the Group's provisions:

| | Restructuring £m | Trade warranties £m | Environmental & legal £m | Total £m |
|---|---|---|---|---|
| Current | 17.6 | 9.2 | 0.4 | 27.2 |
| Non-current | 0.2 | 8.7 | 6.4 | 15.3 |
| At 1 January 2023 | 17.8 | 17.9 | 6.8 | 42.5 |
| | | | | |
| Arising during the year | 34.9 | 2.3 | – | 45.4 |
| Released during the year | – | (1.5) | (1.5) | (3.0) |
| Utilised during the year | (31.3) | (3.0) | – | (42.5) |
| Exchange adjustment | (0.5) | (0.2) | – | (0.7) |
| At 31 December 2023 | 20.9 | 15.5 | 5.3 | 41.7 |
| | | | | |
| Current | 19.9 | 8.4 | 0.4 | 28.7 |
| Non-current | 1.0 | 7.1 | 4.9 | 13.0 |

**Restructuring**

The restructuring provision reflects residual amounts committed but not spent in relation to a number of specific projects that are discussed further in Note 3, where the cost is a reliable estimate of the obligation. The opening balance of £17.8m primarily related to the closure of a factory in Europe within our IMI Precision Engineering division and the Customer First project, which both simplify the structure of the division and ensures the business structure is aligned with our customer base. The utilised balance includes £31.3m of cash settlements. The provision as at 31 December 2023 of £20.9m primarily relates to the expected redundancy payments for facility closures with the majority of the resulting outflow expected during 2024.

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## 20. Provisions continued

**Trade warranties**

The Group sells a wide range of highly technical products and whilst they are designed and engineered to a high degree of precision and to customer specifications, there is a risk of products requiring modification, which can lead to warranty claims. Trade warranties are given in the normal course of business and cover a range of periods, typically one to two years, with the expected amounts falling due in less than and greater than one year separately analysed, as above. The provision represents the directors' best estimate of the Group's liability based on past experience.

**Environmental and legal**

Environmental and legal provisions recognise the Group's obligation to remediate contaminated land at a number of current and former sites, together with current legal cases for which a settlement is considered probable. Due to the long-term nature of the liabilities, the timescales are uncertain and the provisions represent the directors' best estimates of these costs.

## 21. Trade and other payables

2022 results have been restated to reflect the allocation of goodwill of Heatmiser and CorSolutions, as described in Note 1.

| | 2023 £m | 2022 (Restated) £m |
|---|---|---|
| **Current** | | |
| Trade payables | 152.0 | 150.4 |
| Social security and other taxation | 33.7 | 35.1 |
| Accruals | 42.6 | 43.9 |
| Deferred income | 0.3 | – |
| Progress billings and advance payments from customers | 96.8 | 71.9 |
| Other payables | 144.9 | 136.7 |
| | 470.3 | 438.0 |
| **Non-current** | | |
| Other payables | 15.3 | 7.9 |
| | 485.6 | 445.9 |

£50.9m of the £71.9m progress billings and advance payments from customers held at the prior year-end, were recognised as revenue during the year. £52.5m of the £73.2m progress billings and advance payments from customers held at 31 December 2021, were recognised as revenue during the 2022 financial year. Other payables includes costs for services and professional fees invoiced at the balance sheet date.



## 22. Share capital

The movement in the number of ordinary shares of 28 4/7p each issued by IMI plc is as follows:

**Number and value of shares**

| | 2023 Ordinary shares 28 4/7p per share | | 2022 Ordinary shares 28 4/7p per share | |
|---|---|---|---|---|
| | Number (m) | Value (£m) | Number (m) | Value (£m) |
| In issue at the start of the year | 275.0 | 78.6 | 274.9 | 78.6 |
| Issued to satisfy employee share schemes | 0.1 | – | 0.1 | – |
| In issue at the end of the year | 275.1 | 78.6 | 275.0 | 78.6 |

All issued share capital at 31 December 2023 and 2022 is fully paid and conveys the same rights.

**Share movements in the year**

Movements in shares due to share issues and purchases during the year were as follows:

| | Number of ordinary shares of 28 4/7p each (million) | | | |
|---|---|---|---|---|
| | Employee Benefit Trust | Treasury | Other | Total |
| In issue at 31 December 2022 | 2.4 | 14.3 | 258.3 | 275.0 |
| New issues to satisfy employee share scheme awards | | | 0.1 | 0.1 |
| Transfer shares from treasury to employee benefit trust | 0.6 | (0.6) | | – |
| Shares allocated under employee share schemes | (1.3) | | 1.3 | – |
| At 31 December 2023 | 1.7 | 13.7 | 259.7 | 275.1 |

During the year 0.1m (2022: 0.1m) shares were issued under employee share schemes realising £0.6m (2022: £1.2m).

**Employee Benefit Trust**

The Employee Benefit Trust made market purchases of a total of nil (2022: 1.4m) shares with an aggregate market value of £nil (2022: £20.0m) and a nominal value of £nil (2022: £0.4m). Associated transaction costs amounted to £nil (2022: £nil). On 28 November 2023 0.6m ordinary shares were transferred out of treasury for nil consideration to the IMI Employee Benefit Trust.

Share options exercised in 2023 were settled using the shares in the Group's Employee Benefit Trust. In 2023, 0.7m (2022: 0.8m) shares were issued for cash of £nil (2022: £nil).

Of the 15.4m (2022: 16.7m) shares held within retained earnings, 1.7m (2022: 2.4m) shares with an aggregate market value of £28.6m (2022: £30.9m) are held in trust to satisfy employee share scheme vesting.

## 35 Acquisitions

**Acquisitions in 2022**

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

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

**a) Heatmiser UK Ltd ("Heatmiser")**

| | Fair value at 23 December 2022 £m |
|---|---|
| Other intangible assets | 46.2 |
| Property, plant and equipment | 0.2 |
| Inventories | 7.4 |
| Trade and other receivables | 5.6 |
| Cash and cash equivalents | 7.4 |
| Trade and other payables | (4.7) |
| Current taxation | (0.6) |
| Deferred taxation | (11.6) |
| **Total identified net assets at fair value** | **49.9** |
| Goodwill arising on acquisition | 67.6 |
| **Purchase consideration** | **117.5** |

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

This acquisition has been accounted for as a business combination and the accounting, including the purchase price allocation, has been finalised during the year. After updating the assumptions, deferred consideration recognised is £nil. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations.

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

**b) CorSolutions LLC ("CorSolutions")**

| | Fair value at 27 October 2022 £m |
|---|---|
| Other intangible assets | 8.8 |
| Inventories | 0.6 |
| Deferred taxation | – |
| **Total identified net assets at fair value** | **9.4** |
| Goodwill arising on acquisition | – |
| Total consideration | 9.4 |
| Of which relates to deferred consideration | 1.3 |
| **Purchase consideration** | **8.1** |

On 27 October 2022 the Group acquired 100% of the share capital and associated voting rights, of CorSolutions LLC ("CorSolutions") for initial cash consideration of £7.5m, an additional payment of £0.6m made in 2023 as part of the closing consideration, with up to a further £3.6m payable based on future financial performance. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

This acquisition was accounted for as a business combination. The acquisition accounting has been finalised and changes were made to the provisional fair value amounts recognised in the 2022 Annual Report in respect of the deferred consideration and identified assets acquired and liabilities assumed. This resulted in a decrease of £1.7m from the 2022 Annual Report, bringing the goodwill position to £nil. The expected earn-out payout has decreased from £3.6m as at 31 December 2022 to £1.3m.

**c) Bahr Modultechnik GmbH ("Bahr")**

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

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

**d) Adjustments arising on prior year acquisitions**

In finalising the acquisition accounting for the prior year acquisitions of CorSolutions and Heatmiser, an adjustment of £36.3m was made to include acquired intangibles and corresponding deferred tax, adjust working capital and other payables. This resulted in a decrease in goodwill of £36.3m.

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

| | Balance Sheet (as Reported) 2022 £m | Allocation of Heatmiser and CorSolutions goodwill 2022 £m | Restated Balance Sheet 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 733.7 | (36.3) | 697.4 |
| Other intangible assets | 270.5 | 46.2 | 316.7 |
| Deferred tax assets | 24.5 | (0.3) | 24.2 |
| **Current assets** | | | |
| Inventories | 416.3 | 1.4 | 417.7 |
| Trade and other receivables | 484.9 | (1.0) | 483.9 |
| Current tax | 2.0 | (0.1) | 1.9 |
| **Total assets** | **2,519.9** | **9.9** | **2,529.8** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | (47.9) | (11.3) | (59.2) |
| Other payables | (9.9) | 2.0 | (7.9) |
| **Current liabilities** | | | |
| Trade and other payables | (437.7) | (0.3) | (438.0) |
| Current tax | (70.1) | (0.3) | (70.4) |
| **Total liabilities** | **(1,614.3)** | **(9.9)** | **(1,624.2)** |

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# Notes to the consolidated financial statements continued

## 24. Disposals

**Disposals in 2023**

The Group disposed of its Dutch subsidiary, IMI Aero-Dynamiek BV, on 2 October 2023 for proceeds of £0.8m, resulting in a gain on disposal for the Group of £0.7m after disposing of £nil of net assets and incurring £0.3m of associated disposal costs.

This disposal is not disclosed as a discontinued item because it did not represent a separate major line of business.

| | 2 October 2023 £m |
|---|---|
| Sale consideration | 0.8 |
| Net assets disposed | – |
| Costs of disposal | (0.3) |
| Foreign exchange gain reclassified on disposal | 0.2 |
| Gain on disposal | 0.7 |
| | |
| Net cash flow arising on disposal | |
| Sale consideration | 0.8 |
| Cash costs of disposal | (0.3) |
| Net cash flow arising on disposal of operations | 0.5 |

**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 was presented in the income statement as an adjusting item in 2022 but it was not disclosed as a discontinued item because it did not represent a separate major line of business.

| | 27 May 2022 £m |
|---|---|
| Sale consideration | – |
| 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 | |
| Sale consideration | – |
| Cash costs of disposal | (0.9) |
| Net cash flow arising on disposal of operations | (0.9) |

## 25. Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision because significant subjectivity exists regarding its outcome.

Group contingent liabilities relating to guarantees in the normal course of business and other items amounted to £131m (2022: £132m).

## 26. Related party transactions

Related parties include the key management personnel. The Board, including the non-executive directors are considered to be the key management personnel of the Group.

| | 2023 £m | 2022 £m |
|---|---|---|
| Short-term employee benefits* | 4.8 | 3.5 |
| Share-based payments** | 2.0 | 2.2 |
| Total | 6.8 | 5.7 |

* Short-term employee benefits comprise salary, including employers' social contributions, benefits earned during the year and bonuses awarded for the year.

** For details of the shared-based payment charge for key management personnel, see Note 6.

**Transactions with associated companies**

| | 2023 £m | 2022 £m |
|---|---|---|
| Sales to associated companies | 0.8 | – |
| Purchases from associated companies | – | – |
| Total | 0.8 | – |
| Accounts receivable | 1.2 | – |
| Accounts payable | – | – |

There are no other related party transactions.

## 27. Subsequent events

Events that occur in the period between 31 December and the date of approval of the Annual Report can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December. If the event is an adjusting event, then an adjustment to the results is made. If a non-adjusting event after the year-end is material, non-disclosure could influence decisions that readers of the financial statements make. Accordingly, for each material non-adjusting event after the reporting period we disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

There were no adjusting or non-adjusting subsequent events after the balance sheet date of 31 December 2023.

# Company balance sheet
## At 31 December 2023

| | Notes | 2023 £m | 2022 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | C5 | 563.4 | 533.0 |
| | | 563.4 | 533.0 |
| | | | |
| **Current assets** | | | |
| Debtors | C6 | 14.9 | 18.3 |
| Deferred tax assets | C7 | 6.4 | 5.5 |
| Cash at bank and in hand | | 1.6 | 1.6 |
| | | 22.9 | 25.4 |
| | | | |
| **Creditors: amounts falling due within one year** | | | |
| Other creditors | C8 | (9.4) | (4.3) |
| **Net current assets** | | 13.5 | 21.1 |
| **Total assets less current liabilities** | | 576.9 | 554.1 |
| **Net assets** | | 576.9 | 554.1 |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | C9 | 78.6 | 78.6 |
| Share premium account | | 17.0 | 16.4 |
| Capital redemption reserve | | 177.6 | 177.6 |
| Profit and loss account | | 303.7 | 281.5 |
| **Equity shareholders' funds** | | 576.9 | 554.1 |

The Company reported a profit for the financial year ended 31 December 2023 of £77.5m (2022: £59.6m).

Approved by the Board of Directors on 29 February 2024 and signed on its behalf by

**Lord Smith of Kelvin**
Chair

# Company statement of changes in equity for the year

| | Share capital £m | Share premium £m | Redemption reserve £m | Retained earnings £m | Parent equity £m |
|---|---|---|---|---|---|
| At 1 January 2022 | 78.6 | 15.2 | 177.6 | 294.3 | 565.7 |
| Retained profit for the year | | | | 59.6 | 59.6 |
| Dividends paid on ordinary shares | | | | (62.2) | (62.2) |
| Shares issued in the year | – | 1.2 | | | 1.2 |
| Share-based payments | | | | 9.8 | 9.8 |
| Shares acquired for employee share scheme trust | | | | (20.0) | (20.0) |
| At 31 December 2022 | 78.6 | 16.4 | 177.6 | 281.5 | 554.1 |
| | | | | | |
| Retained profit for the year | | | | 77.5 | 77.5 |
| Dividends paid on ordinary shares* | | | | (68.8) | (68.8) |
| Shares issued in the year | – | 0.6 | | | 0.6 |
| Share-based payments | | | | 13.2 | 13.2 |
| Shares acquired for employee share scheme trust* | – | – | – | 0.3 | 0.3 |
| At 31 December 2023 | 78.6 | 17.0 | 177.6 | 303.7 | 576.9 |

* Details of treasury and employee trust share scheme movements are contained in Note 22 of the Group financial statements and details of dividends paid and proposed in the year are shown in Note C4.

All of the retained earnings held at both 31 December 2023 and 31 December 2022 are considered to be distributable reserves.

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# Company notes to the financial statements

## C1. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements, except where otherwise noted below:

**Basis of accounting**

The financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment';
b) the requirements of IFRS 7 'Financial Instruments';
c) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
e) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1;
f) the requirements of IAS 7 'Statement of Cash Flows';
g) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
h) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'; and
i) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member. Related party transactions with the Company's key management personnel are disclosed in the Remuneration Report on pages 146 to 167 and in Note 26 of the Group financial statements.

**Critical judgements and key sources of estimation uncertainty**

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There were no critical judgements or key sources of estimation uncertainty applied in 2023 or in 2022.

**Foreign currencies**

The Company's functional currency and presentation currency is Sterling. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Sterling at the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Investments**

Investments in subsidiaries are accounted for at cost less any provision for impairment. The Company's cost of investments in subsidiary undertakings is stated at the aggregate of (a) the cash consideration and either (b) the nominal value of the shares issued as consideration when Section 612 of the Companies Act 2006 applies, or (c) in all other cases the market value of the Company's shares on the date they were issued as consideration.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12 'Income Taxes'. Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

**Equity and equity-related compensation benefits**

The Company operates a number of equity and equity-related compensation benefits as set out in Note 6 to the Group financial statements. The fair value of the employee services received in exchange for the grant of the options is recharged in full to the principal employing company and accordingly, there is no net charge recorded in the Company's financial statements. The recharged amount is recognised as a debtor falling due for payment within one year.

The total amount recharged over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options at the date of grant is determined based on the Monte Carlo and Black-Scholes option-pricing model.

At each balance sheet date, the Company revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the amount recharged to subsidiary undertakings.

For newly issued shares, the proceeds received, net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**Treasury shares**

The consideration paid by the Company on the acquisition of treasury shares is charged directly to retained earnings in the year of purchase. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to share premium. If treasury shares are subsequently cancelled the nominal value of the cancelled shares is transferred from share capital to the capital redemption reserve. No gain or loss is recognised on the purchase, sale or cancellation of treasury shares.

**Dividends**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## C2. Remuneration of directors

The detailed information concerning directors' emoluments, shareholdings and options are shown in the audited section of the Remuneration Report on pages 136 to 167, Note 5 and Note 26 of the Group financial statements.

## C3. Staff numbers and costs

The number of people employed by the Company, including directors, during the year was 19 (2022: 18), all of whom were employed in administrative roles. The costs associated with them were borne by a subsidiary undertaking.

The Company participates in the IMI UK Funds, which are defined benefit schemes in which the assets are held independently. The total net defined benefit costs of these funds are borne by a subsidiary undertaking and therefore in accordance with IAS 19, no net defined benefit costs are recognised in the Company's financial statements. Note 14 to the Group financial statements provides further details regarding the defined benefit schemes.

# Company notes to the financial statements continued

## 5 Dividends

The aggregate amount of dividends comprises

| | 2023 £m | 2022 £m |
|---|---|---|
| Prior year final dividend paid – 17.4p per qualifying ordinary share (2022: 15.8p) | 45.1 | 40.8 |
| Current year interim dividend paid – 9.1p per qualifying ordinary share (2022: 8.3p) | 23.7 | 21.4 |
| Aggregate amount of dividends paid in the financial year | 68.8 | 62.2 |

Dividends paid in the year of £68.8m represent 26.5p per share (2022: 24.1p)

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

| | 2023 £m | 2022 £m |
|---|---|---|
| Current year final dividend – 19.2p per qualifying ordinary share (2022: 17.4p) | 49.9 | 45.1 |

Dividends proposed after the balance sheet date may differ from the final dividend paid. This is a result of the final number of qualifying shares entitled to dividends differing from those in issue at the balance sheet date.

## 6 Fixed assets – investments

| | 2023 £m | 2022 £m |
|---|---|---|
| Investments in subsidiary undertakings | 173.2 | 173.2 |
| Loans owed by subsidiary undertakings | 390.2 | 359.8 |
| Total | 563.4 | 533.0 |

Details of subsidiary undertakings as at 31 December 2023 are shown on pages 264 to 268.

The loan due from subsidiary undertakings is due for repayment on 31 December 2027. The loan is unsecured and interest is calculated using SONIA plus a fixed percentage of 1.86%.

## 7 Debtors

| | 2023 £m | 2022 £m |
|---|---|---|
| Falling due for payment within one year | | |
| Amounts owed by subsidiary undertakings | 14.9 | 18.3 |
| Total | 14.9 | 18.3 |

## 8 Deferred tax

The deferred tax included in the balance sheet is as follows

| | 2023 £m | 2022 £m |
|---|---|---|
| Employee benefits and share-based payments | 6.4 | 5.5 |
| Deferred tax asset included in the balance sheet | 6.4 | 5.5 |

Reconciliation of movement in deferred tax asset

| | 2023 £m | 2022 £m |
|---|---|---|
| At 1 January 2023 | 5.5 | 6.8 |
| Adjustment in respect of prior years | 0.1 | – |
| Deferred tax credit in the profit and loss account | 0.5 | 0.6 |
| Deferred tax (credit)/charge in equity | 0.3 | (1.9) |
| At 31 December 2023 | 6.4 | 5.5 |

The rate of corporation tax in the UK for 2023 was 23.5% (2022: 19%). From 1 April 2023, the statutory rate increased from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2022: 25%).

## 9 Other current liabilities including provisions

| | 2023 £m | 2022 £m |
|---|---|---|
| Corporation tax | 8.4 | 3.3 |
| Other payables | 1.0 | 1.0 |
| Total | 9.4 | 4.3 |

## 10 Share capital

| | 2023 £m | 2022 £m |
|---|---|---|
| Issued and fully paid | | |
| 275.1m (2022: 275.0m) ordinary shares of 28.47p each | 78.6 | 78.6 |

## 11 Contingent liabilities

Contingent liabilities relating to guarantees in the normal course of business and other items amounted to £54.1m (2022: £37.8m).

There is a right of set-off with three of the Company's banks relating to the balances of the Company and a number of its wholly owned UK subsidiaries.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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# Subsidiary undertakings

A full list of the Group's subsidiary undertakings and registered/principal offices as at 31 December 2023 is included below. Except where indicated, the share capital consists of ordinary shares only. The principal country in which each subsidiary operates and has its registered/principal office is the country of incorporation. IMI plc's effective interest in the undertakings listed is 100%, except where indicated, and is held in each case by a subsidiary undertaking, except for IMI Group Limited and IMI Deutschland Verwaltungs GmbH which are held directly by IMI plc.

The Group has an interest in two partnerships, The IMI Scottish Limited Partnership and The IMI 2017 Scottish Limited Partnership, which are both fully consolidated into these Group accounts. The Group has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of these qualifying partnerships to these accounts. Separate accounts for the partnerships are not required to be and have not been filed at Companies House.

| | |
|---|---|
| Charles Baynes Netherlands B.V., | Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, West Midlands, B37 7XZ, United Kingdom |
| Holford Estates Limited, | |
| IMI CIF Trustee Limited, | |
| IMI Components Limited, | |
| IMI Deutschland Limited, | |
| IMI Euro Finance Limited, | |
| IMI Fluid Controls (Finance) Limited, | |
| IMI Germany Limited, | |
| IMI Group Limited, | |
| IMI Kynoch Limited, | |
| IMI Marston Limited, | |
| IMI Overseas Investments Limited, | |
| IMI Pensions Trust Limited, | |
| IMI plc, | |
| IMI Precision Engineering Limited, | |
| IMI Property Investments Limited, | |
| IMI Refiners Limited, | |
| IMI Sweden Finance Limited, | |
| IMI Vision Limited, | |
| Liquick 211 Limited, | |
| Truflo Group Limited, | |
| Truflo International Limited, | |
| Truflo Investments Limited | |
| IMI Americas LLC, | 5400 South Delaware Street, Littleton, CO 80120, United States |
| IMI Fluid Controls Holdings Inc, | |
| IMI Norgren LLC, | |
| Norgren LLC | |
| Finch Land Management LLC | 145 Hyde Road, Farmington, CT 06032, United States |
| IMI Critical Engineering Holding GmbH, | Bruckstrasse 93, 46519 Alpen, Germany |
| IMI Deutschland II GmbH & Co KG, | |
| IMI Deutschland Verwaltungs GmbH, | |
| IMI Germany Holding B.V. & Co KG, | |
| Norgren GmbH | |
| Adaptas Acquisition Co, | Palmer Industrial Park, 9 Second Street, Palmer, MA 01069, United States |
| Adaptas Acquisition Holdings, LLC, | |
| Adaptas Solutions, LLC | |
| Heimeier GmbH, | Völlinghauser Weg 2, 59597 Erwitte, Deutschland, Germany |
| IMI Hydronic Engineering Deutschland Gmbh, | |
| THJ Holding GmbH | |
| IMI Australia Pty Ltd, | 33 South Corporate Avenue, Rowville VIC 3178, Australia |
| IMI Critical Engineering (PAC) Pty Ltd, | |
| IMI Lakeside Australia Pty Ltd | |
| IMI Finance SA, | Route de Crassier 19, Lake Geneva Business Park, 1262 Eysins, Switzerland |
| IMI Finance USD SA, | |
| IMI Hydronic Engineering International SA | |
| Adaptas Solutions Pty Ltd, | 2-8 Martha Street, Clyde NSW 2142, Australia |
| DeTech Australia Holdings Pty Ltd | |
| IMI Hydronic Engineering NV | Fountain Business Park, C. Van Kerckhovenstraat 110 Gebouw 3 BE-2880 Bornem |
| CCI Italy S.R.L, | Via Larga 6, 20122 Milan, Italy |
| IMI Holding Italy S.R.L., | |
| Orton S.R.L. | |
| IMI Hydronic Engineering A/S, | Vesterlundvej 18, 2730 Herlev, Denmark |
| Norgren A/S | |
| IMI Hydronic Engineering AS, | Glynitveien 7, Ski, N-1400, Norway |
| Norgren AS | |
| IMI Hydronic Engineering BV, | Klipperaak 101 (1e etage), 2411 ND Bodegraven |
| IMI Netherlands Holdings BV | |
| IMI Scotland Limited, | c/o Brodies LLP Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP, United Kingdom |
| The IMI Scottish Limited Partnership, | |
| The IMI 2017 Scottish Limited Partnership | |
| Lakeside Finance Unlimited Company, | 1 Stokes Place, St Stephens Green, Dublin 2, Ireland |
| Lakeside Treasury Unlimited Company | |
| Norgren Co Limited, | Building 3, No. 1885, Duhui Road, Minhang District, Shanghai, China |
| Norgren Manufacturing Co Ltd | |
| Valves Holding GmbH, | Bertramsweg 6, 52355 Düren, Germany |
| Z & J Technologies GmbH | |
| Acro Associates LLC | 145 Hyde Road, Farmington, CT 06032, United States |
| Adaptas Solutions China Co, Ltd | No. 1588 Xinhong Road, Qidong City, Nantong, Jiangsu, China |
| Applied Kilovolts Limited | Woods Way, Goring By Sea, Worthing, West Sussex, BN12 4QY, United Kingdom |
| Bahr Modultechnik Holding GmbH, | North-South-Str. 10a, 31711 Luhden, Germany |
| Bahr Modultechnik GmbH | |
| Bimba LLC, | 25150 S. Governors Hwy, University Park, IL 60484, United States |
| Mead Fluid Dynamics, Inc. | |
| Bopp & Reuther Valves GmbH | Carl-Reuther Str. 1, 68305 Mannheim, Germany |
| Brookvale International Insurance Limited | Clarendon House, Church Street, Hamilton, HM11, Bermuda |
| Buschjost GmbH | Detmolder Strasse 256, 32545 Bad Oeynhausen, Germany |
| CCI AG | Fabrikstrasse 10, 8370 Sirnach, Switzerland |
| IMI Critical Engineering Brasil Ltda. | Rua Anuar Dequech, 272 – Galpão 06, Iporanga – Sorocaba/SP, Brasil 18087-157 |
| CCI Czech Republic s.r.o. | K Letišti 1804/3, Šlapanice, 62700 Brno, Czech Republic |
| CCI Flow Control (Shanghai) Co Ltd | Room 108, Unit 15, 159 Tian Zhou Road, Cao He Jing Development Zone, Shanghai, 200233, China |
| CCI International Limited | Unit A3 Brookside Business Park, Greengate, Middleton, Manchester, M24 1GS, United Kingdom |

## Subsidiary undertakings continued

| | |
|---|---|
| CCI Valve Technology AB | Industrigatan 7, Box 603, 661 29 Saffle, Sweden |
| CCI Valve Technology GmbH | Lembockgasse 63/1, 1230 Wien, Austria |
| Control Component India Pvt Limited | Ground, 1st & 2nd Floor, Tower 4, SJR i park, Plot # 13, 14 & 15, EPIP Zone Phase 1, Whitefield Road, Bangalore 560066, India |
| IMI Critical Engineering LLC | 22591 Avenida Empresa, Rancho Santa Margarita CA 92688, United States |
| CorSolutions LLC | 622 Scofield Road, Groton, New York, 1307 |
| FAS Medic SA | Route de Bossonnens 2, 1607, Palezieux, Switzerland |
| Fluid Automation Systems GmbH | Hortensienweg 21, 70374 Stuttgart, Germany |
| Heatmiser UK Ltd | Units 1-5 Hurstwood Court, Mercer Way, Blackburn, England, BB1 2QU, United Kingdom |
| Heatmiser Automatic Control Technology (Beijing) Limited | North Zone, Floor 2, Building 12, 738 Changliu Road, Machikou Town, Changping District, Beijing, China |
| Herion Systemtechnik GmbH | Untere Talstrasse 65, 71263 Weil der Stadt, Germany |
| IMI Critical Engineering (APAC) Pte. Ltd | 29 International Business Park, ACER Building, #04-01 Acer Building, Singapore, 609923, Singapore |
| IMI Critical Engineering (AUS) Pty Ltd | c/o 21-22 Greenhill Road, Wayville SA 5034, Australia |
| IMI Critical Engineering (Shanghai) Company Limited | Building 3, No. 1-5, Lane 800, Yewang Road, Yexie Town, Songjiang District Shanghai 201609, China |
| IMI Critical Engineering Korea | 14 Dangdong 2-ro, Munsan-eup, Paju-si, Gyeonggi-do, 10816, Republic of Korea |
| IMI Critical Engr PBM LLC | 1070 Sandy Hill Road, Irwin, PA 15642, United States |
| IMI Critical FZE | Office No. FZJOA1308, FZJOA1310, FZJOA1307A, Jebel Ali Free Zone, PO BOX 17827, Dubai, United Arab Emirates |
| IMI Deutschland B.V. | Versterkerstraat 6, 1322 AP Almere, the Netherlands |
| IMI Engineering Sdn. Bhd. | K-7-5 & K-7-6, Solaris Kirara, Soho, Jalan Solaris Mont Kiara, 50480 Kuala Lumpur Malaysia |
| IMI France SARL | 52 Boulevard de Sebastopol, 75003 Paris, France |
| IMI Holdings LLC | 101 Broadway Street West, Suite 204, Osseo, MN 55369, United States |
| IMI Hydronic Engineering AB | Annelund, SE-524 80, Ljung, Sweden |
| IMI Hydronic Engineering Business Services Spolka Z Ograniczona Odpowiedzialnoscia | Olewin 50 A, PL-32300, Olkusz, Poland |
| IMI Hydronic Engineering China | Room 610, Block C the MIXC No.1799 Wuzhong Road, Minghang District, Shanghai 201103, China |
| IMI Hydronic Engineering France S.A. | 13, rue de la Perdrix – Les Flamants 8, 93290 Tremblay-en-France, France |
| IMI Hydronic Engineering FZE | JAFZA One – Tower A, Office 1310, P.O. Box 262611, Dubai, United Arab Emirates |
| IMI Hydronic Engineering GesmbH | Industriestrasse 9, Objekt 5, 2353, Guntramsdorf, Austria |
| IMI Hydronic Engineering Inc. | 8908 Governors Row, Dallas, TX 75247, United States |
| IMI Hydronic Engineering Limited | Hat House Third Floor, 32 Guildford Street, Luton, Bedfordshire, LU1 2NR United Kingdom |
| IMI Hydronic Engineering Ltda | Av. Fagundes Filho, 134 cj 43, S. Judas, Sao Paulo, 04304-010, Brazil |
| IMI Hydronic Engineering OY | Robert Huberin tie 7, Vantaa FI-01510, Finland |
| IMI Hydronic Engineering Pte Ltd | 223 Mountbatten Road #03-01, Singapore 398008, Singapore |
| IMI Hydronic Engineering S.A. | Industriestrasse 9, rue des Trois Cantons, L- 8399 Windhof, Grand Duchy of Luxembourg |
| IMI Hydronic Engineering (Spain) SAU | Calle Orduña 3 Planta Baja, 28034 Madrid, Spain |
| IMI Hydronic Engineering S.R.L. | Via dei Martiniti n. 3, 20146 Milan, Italy |
| IMI Hydronic Engineering Switzerland AG | Muhlerainstrasse 26, 4414 Fullinsdorf, Switzerland |
| IMI Hydronic Engineering UAB | A. Juozapaviciaus 27-5, Kaunas, LT – 45258, Lithuania |
| IMI International Co Srl | Str. Aristide Pascal nr 36, Sector 3, Bucuresti, 031445, Romania |
| IMI International d.o.o. | Alpska cesta 37b, Lesce, 4248, Slovenia |



| | |
|---|---|
| IMI International d.o.o. | Slavonska Avenija 17, Zagreb, 10040, Croatia |
| IMI International d.o.o. Beograd | Milutina Milankovica 1b, Novi Beograd, 11070, Serbia |
| IMI International Kft | Kunigunda Utja 60, Budapest, HU-1037, Hungary |
| IMI International s.r.o. | Evropska 852, 664 42, Modrice, Czech Republic |
| IMI International Sp. z o.o. | Olewin 50 A, PL-32300, Olkusz, Poland |
| IMI Japan K.K. | 7-3-6 Minatojima Minamimachi, Chuo-ku, Kobe, Hyogo 650-0047, Japan |
| IMI Norgren Herion PVT Limited | c/o Rajesh Malhotra & Associates 505, Mercantile House, Kasturba Gandhi Marg New Delhi - 110001 |
| IMI Norgren Limited | 1 Stokes Place, St. Stephen's Green, Dublin 2, D02 DE03 |
| IMI Norgren SA (Sociedad Unipersonal) | Calle Colom, 391, 2 Edif. Tecno, 08223, Terrassa, Spain |
| IMI Saudi Industry LLC | 3826 unit No. 7, Street 122, Second Industrial City, Post 34325-7535, Dammam Saudi Arabia |
| IMI Ventures Singapore Pte Ltd | 29 International Business Park #04-01 Acer Building Singapore 609923 |
| Industrie Mecanique Pour Les Fluides SA | 15 Avenue des Cures, 95580, Andilly, France |
| Kynoch Sweden Holding AB | c/o IMI Hydronic Engineering AB, 52 480 Ljung, Sweden |
| Newman Hattersley Limited | 5063 North Service Road, Suite 100, Burlington, ON, L7L 5H6 Canada |
| Norgren AG | Fabrikstrasse 10, 8370 Sirnach, Switzerland |
| Norgren Automation Solutions LLC | 2871 Bond Street, Rochester Hills, MI 48309 United States |
| Norgren BV | Versterkerstraat 6, 1322 AP Almere, Netherlands |
| Norgren Co Limited | 36/8 Room M1 Krungthep Kreetha Rd., Khlong Song Ton Nun Sub-District, Lat Krabang District, Bangkok 10520, Thailand |
| Norgren Finland OY | Robert Huberin Tie 7, FI-01510 Vantaa, Finland |
| Norgren Ges.m.b.H. | Industriezentrum NO Sud, Straße 2a, Objekt M39/1, A-2355, Wiener Neudorf, Austria |
| Norgren GT Development LLC | 425 "C" Street NW, Suite 100, Auburn, WA 98001, United States |
| Norgren Kloehn LLC | Palmer Industrial Park, 9 Second Street, Palmer, MA 01069 United States |
| Norgren Limited | Room M, Block 1, 19/F, Kingswin Industrial Building, 32-50 Lei Muk Road, Kwai Chung, Hong Kong |
| Norgren Limited | 15A Vestey Drive, Auckland, 1060, New Zealand |
| IMI Webber Limited | Blenheim Way, Fradley Park, Lichfield, Staffordshire, WS13 8SY, United Kingdom |
| Norgren Limited | |
| Norgren Ltda | Av. Eng. Alberto de Zagottis, 696-B, Sao Paulo SP 04675-085, Brazil |
| Norgren Manufacturing (Suzhou) Co., Ltd | No. 975, Xinzi Road, Wujiang Economic & Technological Development Zone Jiangsu Province, China |
| Norgren Manufacturing de Mexico S.A. de C.V. | Avenida de la Montaña # 120, Parque Industrial Queretaro, Santiago De Queretaro, Queretaro, CP 76220, Mexico |
| Norgren S.A. de C.V. | 45061 Tlaquepaque, Jalisco, Mexico |
| Norgren NV | Norgren NV, Alfons Gossetlaan 54 bus 5, B1702 Dilbeek, Belgium |
| Norgren Pte. Limited | JTC Space @ Tuas, 168 Tuas Ave 1, #03-40, Singapore 639534 |
| Norgren SAS | 1, rue de Lamirault 77090 Collegien, France |
| Norgren Srl | Building 12, Via Roma 108, Cassina de Pecchi, 20051, Milan, Italy |
| Norgren Sweden AB | Kamaxelgatan 11, S-212 41 Malmo, Sweden |
| Norgren Taiwan Co Limited | 3F, No. 540 Sec. 1, Minsheng N. Rd., Guishan Dist., Taoyuan City, 333, Taiwan |
| Pneumadyne LLC | 14425 23rd Ave North, Plymouth, MN 55447, United States |
| Remosa S.R.L. | VI Strada Ovest – Macchiareddu, Uta (CA), 09068, Italy |
| SAIC CCI Valve Co Ltd (44%)* | Block B, 123 Chongming Xiushan Road, Chengqiao Town, Chongming County Shanghai, 202150 China |
| Shanghai CCI Power Control Equipment Co Ltd | 229C, 2F, No.11, Lane 465, Tengyue Road, Yangpu District, Shanghai 200090, China |
| STI S.R.L. | Via dei Caravaggi 15, 24040, Levate (BG), Italy |

## Subsidiary undertakings continued

| | |
|---|---|
| TA Regulator d.o.o. | Orliska Ulica 13, Brezice, SI-8250, Slovenia |
| TH Jansen Armaturen GmbH | Blücherstrasse 47, 66386 Sankt Ingbert, Germany |
| Thompson Valves Limited | 17 Balena Close, Creekmoor, Poole, Dorset, BH17 7EF, United Kingdom |
| Truflo Marine Limited | 2, Priory Road, Aston, Birmingham B6 7LG, United Kingdom |
| Vaccon Company, Inc. | 2871 Bond Street, Rochester Hills, MI 48309, United States |

* Treated as external investments.

**Subsidiary audit exemptions**

IMI plc has issued guarantees over the liabilities over the following companies at 31 December 2023 under Section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act:

| Company name | Company number | Company name | Company number |
|---|---|---|---|
| Applied Kilovolts Limited | 02101051 | IMI Precision Engineering Limited | 01687068 |
| CCI International Limited | 00259162 | IMI Refiners Limited | 00148305 |
| Heatmiser UK Limited | 03747773 | IMI Scotland Limited | SC378424 |
| Holford Estates Limited | 01181406 | IMI Sweden Finance Limited | 07272731 |
| IMI Components Limited | 01640862 | IMI Vision Limited | 04421176 |
| IMI Deutschland Limited | 07843551 | IMI Webber Limited | 01416237 |
| IMI Euro Finance Limited | 07929408 | Norgren Limited | 00564656 |
| IMI Fluid Controls (Finance) Limited | 08528502 | Thompson Valves Limited | 02791464 |
| IMI Germany Limited | 07843576 | Truflo Group Limited | 04430846 |
| IMI Hydronic Engineering Limited | 02945254 | Truflo International Limited | 00164822 |
| IMI Kynoch Limited | 00713735 | Truflo Investments Limited | 04430927 |
| IMI Marston Limited | 00155987 | Truflo Marine Limited | 00993167 |
| IMI Overseas Investments Limited | 00209251 | | |

## Geographic distribution of employees*

The following table shows the geographic distribution of employees as at 31 December 2023 and is not required to be audited.

| | |
|---|---|
| United Kingdom | 1,129 |
| Continental Europe | 5,273 |
| Americas | 2,767 |
| Asia Pacific | 1,555 |
| Rest of World | 48 |
| Total | 10,772 |

* Includes agency and contractors.

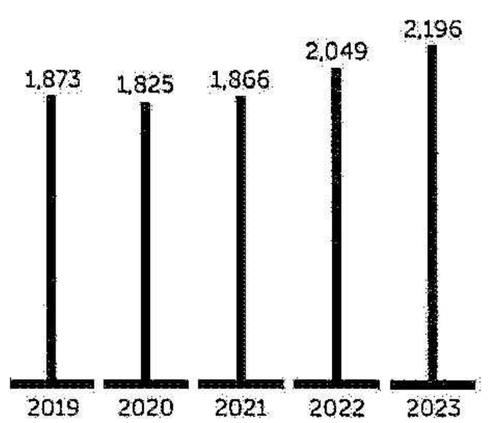


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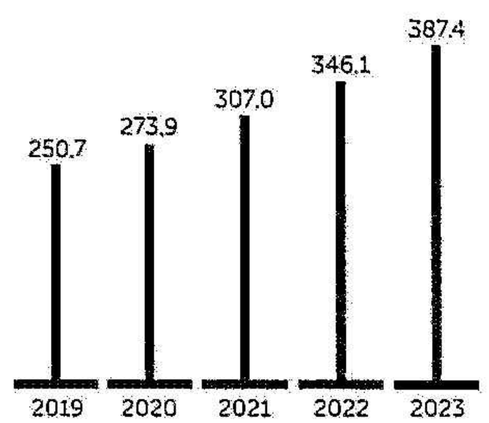


## Five-year summary*

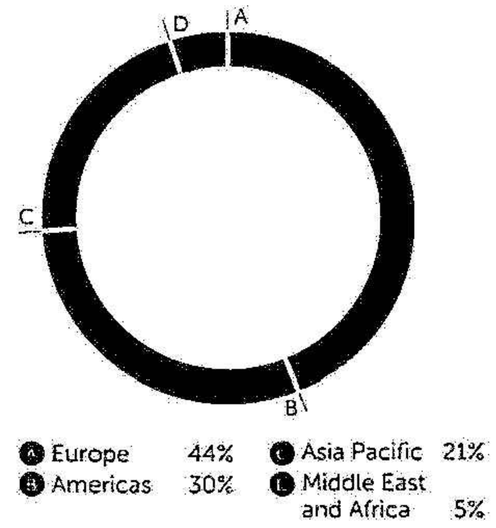
Revenue £m




Adjusted profit before tax £m




Group revenue by geography 2023




Income statement

| | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023 £m |
|---|---|---|---|---|---|
| Revenue | 1,873 | 1,825 | 1,866 | 2,049 | 2,196 |
| Adjusted operating profit | 266.1 | 284.7 | 318.1 | 363.8 | 410.6 |
| Adjusted profit before tax | 250.7 | 273.9 | 307.0 | 346.1 | 387.4 |
| Special pension events | 8.6 | – | – | – | – |
| Restructuring costs and associated impairment losses | (53.3) | (37.7) | (39.7) | (25.9) | (48.1) |
| Acquired intangible amortisation | (19.5) | (18.7) | (15.0) | (29.5) | (32.0) |
| Other acquisition items | (1.6) | – | (3.1) | (4.2) | (1.6) |
| Loss/(gain) on disposal of subsidiaries | – | – | (3.8) | – | – |
| Exit from Russia | – | – | – | (9.0) | (2.0) |
| Financial instruments excluding economic hedge contract (losses)/gains | 4.4 | (3.2) | (0.8) | 7.9 | (1.3) |
| Profit before tax | 189.3 | 214.3 | 244.6 | 285.4 | 302.4 |
| Adjusted EBITDA | 357 | 380 | 404 | 457 | 503 |

Group sales by destination

| | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023 £m |
|---|---|---|---|---|---|
| UK | 90 | 88 | 83 | 93 | 117 |
| Germany | 234 | 222 | 238 | 265 | 280 |
| Rest of Europe | 494 | 486 | 520 | 520 | 557 |
| Total Europe | 818 | 796 | 841 | 878 | 954 |
| Total Americas | 538 | 545 | 526 | 627 | 665 |
| Total Asia Pacific | 404 | 390 | 409 | 450 | 470 |
| Middle East and Africa | 113 | 94 | 90 | 94 | 107 |
| Revenue | 1,873 | 1,825 | 1,866 | 2,049 | 2,196 |

* The five-year summary is not required to be audited.

# Five-year summary* continued

**Earnings and dividends**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Adjusted basic earnings per share | 73.2p | 79.7p | 92.0p | 105.5p | **116.8p** |
| Statutory basic earnings per share | 56.6p | 62.7p | 73.5p | 87.6p | **91.5p** |
| Ordinary dividend per share | 41.1p | 22.5p | 23.7p | 25.7p | **28.3p** |

**Balance sheet**

| | 2019 £m | 2020 £m | 2021 £m | 2022 (Restated) £m | 2023 £m |
|---|---|---|---|---|---|
| Segmental net assets (including lease liabilities) | 1,168 | 1,124 | 1,340 | 1,756 | **1,715** |
| Other net non-operating liabilities excluding borrowings (gross) | (111) | (96) | (32) | (144) | **(147)** |
| Net debt (excluding lease liabilities) | (347) | (228) | (529) | (706) | **(538)** |
| Net assets | 710 | 800 | 779 | 906 | **1,030** |

**Statistics**

| | 2019 | 2020 | 2021 | 2022 (Restated) £m | 2023 £m |
|---|---|---|---|---|---|
| Adjusted operating profit as a percentage of revenue | 14.2% | 15.6% | 17.0% | 17.8% | **18.7%** |
| Adjusted operating profit as a percentage of segmental net assets | 22.8% | 25.3% | 23.7% | 20.7% | **23.9%** |
| Effective tax rate on adjusted profit before tax | 21.0% | 21.0% | 20.0% | 21.3% | **21.8%** |
| Net debt as a percentage of shareholders' funds | 48.9% | 39.5% | 79.9% | 89.6% | **62.0%** |
| Net debt : adjusted EBITDA | 1.2 | 0.8 | 1.5 | 1.8 | **1.3** |
| Adjusted EBITDA : interest | 24 | 35 | 33 | 24 | **22** |



# Shareholder and general information

**Announcement of trading results**
The trading results for the Group for the first half of 2024 will be announced on 26 July 2024. The trading results for the full year ending 31 December 2024 will be announced in February 2025.

Interim Management statements will be issued in May and November 2024.

**Expected dividend payments**
Final: 17 May 2024
Interim: September 2024

**Share prices and capital gains tax**
The closing price of the Company's ordinary shares on the London Stock Exchange on 31 December 2023 was 1,684.0p (2022: 1,228.0p). The market value of the Company's ordinary shares on 31 March 1982, as calculated for capital gains tax purposes, was 53.5p per share.

The Company's SEAQ number is 51443.

**Enquiries about shareholdings**
For enquiries concerning shareholders' personal holdings, please contact the Company's Registrar, Equiniti (contact details appear below).

Please remember to tell Equiniti if you move house, change bank details or if there is any other change to your account information.

**Managing your shares online**
Shareholders can manage their holdings online by registering with Shareview, the internet-based platform provided by Equiniti. Registration is a straightforward process and allows shareholders to:

- help us to reduce print, paper and postage costs and the associated environmental impact of these;
- cast your AGM vote electronically;
- receive an email alert when important shareholder documents are available online such as Annual Reports and Notices of General Meetings;
- access details of your individual shareholding quickly and securely;
- set up a dividend mandate online; and
- change your registered postal address or your dividend mandate details.

To find out more information about the services offered by Shareview and to register, please visit:

www.shareview.co.uk

**Corporate website**
The IMI plc website provides a wealth of useful information for shareholders and should be your first port of call for general queries relating to the Company and your shares. As well as providing share price data and financial history, the site also provides background information about the Company.

Shareholders are also encouraged to sign up to receive news alerts by email in the Investors section of the website. These include all of the financial news releases from throughout the year that are not sent to shareholders by post. You can access the corporate website at: www.imiplc.com

**Annual General Meeting 2024**
This year's AGM will be held on 9 May 2024. For further information, please refer to the Notice of Meeting, which is on the corporate website.

**Individual Savings Account (ISA)**
IMI's ordinary shares can be held in an ISA. For information about the ISA operated by our Registrar, Equiniti, please call the Equiniti ISA helpline on 0345 300 0430. Lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

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# Shareholder and general information continued

**Share dealing service**
Managed by Equiniti, the Company's registrar, the IMI plc share dealing service provides shareholders with a simple way of buying and selling IMI ordinary shares. Telephone: 0345 603 7037. Full written details can be obtained from Equiniti (contact details appear below).

**Share fraud**
Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. Further information on how to spot share fraud or report a scam can be found on our corporate website.

**American Depository Receipts**
IMI plc terminated its sponsored American Depository Receipt programme on 18 January 2023. If you have questions about the termination, please contact Citibank, N.A. at 1-877-248-4237.

**Headquarters and registered office**
Lakeside
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IMI plc is registered in England No.714275

**Registrars**
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Website: www.shareview.co.uk

Telephone: 0371 384 2040

Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Email:
customer@equiniti.com
bereavementsupport@equiniti.com

**Stockbrokers**
J.P. Morgan Cazenove
Bank of America

**Auditor**
Deloitte

**Cautionary statement**
This Annual Report 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 Annual Report. 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.



luminous
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