

22 August 2013

IMI plc Interim Financial Report

IMI plc, the global engineering group, today announces its interim results for the six months ended 30 June 2013.

		Six months ended 30 June		
		2013	2012 Restated ⁴	change
Revenue		£1,087m	£1,090m	0%
Organic revenue growth				-3%
Operating profit	- segmental ¹	£182.6m	£180.9m	+1%
	- as reported	£162.2m	£155.1m	+5%
Segmental operating margin		16.8%	16.6%	
Profit before tax	- adjusted ²	£170.1m	£168.3m	+1%
	- as reported	£150.1m	£145.0m	+4%
Basic earnings per share	- adjusted ³	39.6p	38.2p	+4%
	- as reported	34.9p	32.3p	+8%
Interim dividend		12.8p	11.8p	+8%

Highlights:

- Continued growth in underlying earnings per share despite lower organic revenues
- Orders up 19% in Severe Service with good margin improvement
- Good progress on new product agenda
- Merchandising sale process on track
- Interim dividend increased by 8%

Roberto Quarta, Chairman of IMI commented:

"The Group has delivered another set of positive results with growth in profit and underlying earnings per share. In particular, Severe Service delivered a strong performance with orders up and margins showing a healthy improvement year on year. We also made good progress with our growth agenda launching several new products and continuing to improve our operational efficiency which will help drive future margin momentum.

We continue to anticipate better trading conditions in the remainder of the year. In addition we expect the Group to benefit from an improving sales mix and an increasing contribution from the recently launched new products. Overall, we remain confident that the Group will deliver good progress in 2013. Reflecting this confidence the Board has increased the interim dividend by 8%."

¹ before exceptional items (restructuring, acquired intangible amortisation, other acquisition related costs, past service credit – UK pension scheme, and the reversal of net economic hedge contract gains) totalling £20.4m (2012: £25.8m).

² before exceptional items (restructuring, acquired intangible amortisation, other acquisition related costs, past service credit – UK pension scheme and financial instruments) totalling £20.0m (2012: £23.3m) and including economic hedge contract gains and losses totalling £2.8m (2012: £1.7m).

³ before the after tax net cost of exceptional items totalling £14.8m (2012: £18.6m).

⁴ the restatement above relates to the Group's adoption of IAS19 (Revised) for which further information is given in note 1 of the condensed consolidated interim financial statements.

INTERIM FINANCIAL REPORT

Overview

Overall the Group traded in line with our expectations in the first half with revenues on a reported basis flat compared to the first half of last year. On an organic basis, after adjusting for the acquisitions in February 2012 and for exchange rate movements, revenues were down 3%. Segmental operating profit was £182.6m, an increase of 1% on a reported basis and 1% down on an organic basis. Adjusted basic earnings per share increased by 4% to 39.6p. Given the first half performance and an expectation of improved momentum in the second half, the Board has decided to increase the interim dividend by 8% to 12.8p (2012: 11.8p).

In a subdued but stable macroeconomic environment, trading across our end markets has been varied. Bookings momentum in Severe Service has been particularly encouraging in both the Oil & Gas and Petrochemical markets which bodes well for future prospects. As expected Fluid Power was impacted by a weaker market for commercial vehicles and Indoor Climate continues to rely on its more resilient refurbishment activity given the ongoing depressed market for new commercial construction in Europe. Beverage Dispense markets were weaker than expected as major customers delayed some capital expenditure. Our Merchandising business continued to exhibit strong momentum across most of its end markets.

During the first half we have continued to progress our strategic agenda to focus a greater proportion of our revenues in our sweetspot of operation. This sweetspot is where we can deploy our differentiated fluid technologies in global market niches where we already have, or can aspire to, a leadership position and which benefit from a heightened exposure to the long-term mega-trends of climate change, urbanisation, resource scarcity and an ageing population. We have made good progress in terms of our organic growth initiatives with continued investment in our differentiated technology offering resulting in the launch of a number of new products across the businesses all of which are firmly targeting the sweetspot. This enhanced portfolio, together with a number of supply chain initiatives that are already being implemented, will help drive future margin momentum and growth. In addition, and in line with this strategy, the process to dispose of the majority of the Merchandising business is on track.

We continue to be cash generative and maintain a strong balance sheet. We have today announced a small technology acquisition, Analytical Flow Products, which will enhance our capabilities and technology offerings in the Life Sciences and Energy sectors in Fluid Power. We are working on a number of other good acquisition opportunities in our targeted end markets. In addition during the first half the Group repurchased £68m of its shares as part of the programme announced in March to repurchase up to £175m of shares over a period of twelve months.

Outlook

We continue to anticipate better trading conditions in the remainder of the year. In addition, we expect the Group to benefit from an improving sales mix and an increasing contribution from a number of recently launched new products. Overall, we remain confident that the Group will deliver good progress in 2013.

Over the longer term the Group is well positioned to accelerate organic revenue growth supported by strong bookings momentum in Severe Service, ongoing new product introductions and continued execution of our strategy to focus more of our business in those end markets which are benefiting most from long-term structural growth trends.

Operational review

The following review of our business areas for the six months to 30 June 2013 compares the performance of our operations with the six month period to 30 June 2012. Comparator data for Beverage Dispense and Merchandising for 2012 has been restated to reflect the impact of the transfer of the beverage activities of Display Technologies from Merchandising to Beverage Dispense, which took place on 1 January 2013. This section also comments on the current market conditions in each of our businesses.

Severe Service

	2013	2012
Segmental Revenue	£322m	£326m
Segmental Operating Profit	£49.0m	£45.5m
Segmental Operating Margin	15.2%	14.0%

Severe Service has delivered a strong performance in the half with bookings well above expectations and, importantly, margins showing a healthy improvement over last year. First half revenues were down 1% on a reported basis and 3% on an organic basis, after adjusting for the impact of the two acquisitions made in February 2012 and the benefit of exchange rate movements. This is against a first half last year when shipments included a catch up in backlog that existed at the end of 2011.

We have seen an encouraging uplift in order intake with bookings up 19% in the first half. Bookings have been very strong in the Oil & Gas sector with continued good momentum in LNG and, as previously announced, we secured a particularly large order for a high integrity pressure protection system on a gas field in the Middle East. Order intake was also positive in Nuclear, where we have won several new projects, and in Petrochemical, where a number of new projects in China and India were secured. Whilst we continue to pursue a more selective approach to projects in Fossil Power, bookings were up with some good project wins in South Korea and India. The Iron & Steel market remains very difficult with order intake well down in the first half. Aftermarket bookings are up, supported by an improving position in the Nuclear aftermarket with increased activity in Japan on the expectation that some of their plants will soon be restarted.

In line with expectations, Severe Service margins improved in the first half to 15.2% compared to 14.0% in the first half of 2012, when the business was impacted by an adverse mix of low margin shipments and some operational challenges at the Brno facility in the Czech Republic. A significant proportion of the remaining low margin legacy projects from prior years was shipped in the first half. This, coupled with a number of new contracts secured at more attractive prices and continuing improvements in productivity, resulted in a further and significant margin improvement in the order book.

The strong order book supports our expectation that the business will deliver growth in the second half, leaving full year revenues slightly up on last year with an accelerating position as we move into 2014. Margins are expected to continue to show significant progress in the second half as we benefit from productivity improvements and the shipment of orders taken in the last 12 months at improved margins.

Fluid Power

	2013	2012
Segmental Revenue	£363m	£373m
Segmental Operating Profit	£69.4m	£75.0m
Segmental Operating Margin	19.1%	20.1%

As expected, first half Fluid Power revenues were down 3% on a reported basis and 5% on an organic basis. This compares to a strong performance in the first half of 2012 when commercial vehicle volumes were materially higher. Commercial Vehicle revenues in the first half were down 9% with both North America and Europe down around 15% and the rest of the world up around 18%, reflecting a strong performance in Brazil where we continue to grow market share. Of the other key target sectors, Energy performed well, up 4%, Food & Beverage was up 1% whilst Life Sciences and Rail were both lower. The non-sector Fluid Power business was down around 3% with Europe lower, North America slightly up, Asia Pacific flat and good growth in Latin America.

Operating margins at 19.1% held up well despite the lower activity levels and increased investments for growth. This reflects good underlying margin momentum with ongoing benefits arising from value engineering initiatives, supply chain consolidation and further transfers of production lines to lower cost sites.

The outlook for truck volumes is more positive in the second half. We have seen an improvement in industry demand data in the US market and European manufacturers are expecting volumes towards the end of the year to benefit from a limited pre-buy of current models ahead of the implementation of Euro VI legislation at the start of 2014. This positive outlook for Commercial Vehicles and an acceleration in the contribution from a number of recently launched new products, continue to support our expectation of a return to growth for Fluid Power in the second half.

Indoor Climate

	2013	2012
Segmental Revenue	£146m	£142m
Segmental Operating Profit	£27.7m	£27.1m
Segmental Operating Margin	19.0%	19.1%

Indoor Climate revenues were up 3% on a reported basis but down 1% on an organic basis in the first half of the year. European markets continue to be very mixed with good growth in Sweden, Norway, France, Austria and Switzerland offset by a weaker performance elsewhere, particularly in the Benelux area where new construction activity is very low.

We have continued to invest in growth initiatives in Asia Pacific and the Americas. Performance in these target growth markets has been variable with good growth in Brazil and Australia offset by weaker performances in the Middle East and South East Asia. In North America, where we continue to refine our approach, we delivered a solid performance in the first six months and expect the second half to benefit from an increase in project activity and several new US market specific product introductions.

Operating margins at 19.0% were similar to the first half of last year. Ongoing benefits arising from a number of operating cost reduction initiatives were offset by increased investment in sales and engineering resource in growth markets and investment in several new products including our new range of integrated control and balancing valves which were launched in the first half. We expect margins to show the normal second half improvement as the business benefits from seasonally higher volumes.

Whilst European construction markets will remain subdued in the second half, we expect the Indoor Climate business to return to good growth as we benefit from the recent launch of a number of new products.

Beverage Dispense

	2013	Restated 2012
Segmental Revenue	£172m	£180m
Segmental Operating Profit	£24.9m	£26.6m
Segmental Operating Margin	14.5%	14.8%

Performance in our Beverage Dispense business was below expectations in the first half with revenues down 4% on a reported basis and 7% on an organic basis compared to restated revenues for the first half of last year. This mainly reflects a slow start to the year in the US and Latin America where major customers have deferred some of their capital expenditure and also the impact of the exit from a large, low margin contract in the UK in the middle of last year (net of this contract exit, organic revenues were 4% lower than last year).

The operating margin in the first half at 14.5% was down slightly on the restated margin for the first half last year reflecting the impact of lower volumes more than offsetting continued improvements in sales mix. We anticipate trading conditions to remain challenging in the second half with volumes expected to be down on the second half of 2012.

The business continues to invest heavily in new products, focusing on meeting increased customer demand for a greater variety of beverage choice and increased automation. Most of these product development projects have a primary customer sponsor, and are currently undergoing extensive market testing and field trials. We hope to secure several significant new orders over the next few months for delivery in 2014 and beyond.

Merchandising

	2013	Restated 2012
Segmental Revenue	£83m	£70m
Segmental Operating Profit	£11.6m	£6.7m
Segmental Operating Margin	14.0%	9.6%

Merchandising has performed strongly in the first half with revenues up 19% on a reported basis and 16% on an organic basis compared to the restated revenue in the first half of last year. We have continued to see further good growth in our European cosmetics business and high activity levels in US automotive, where dealers are investing in our merchandising solutions for their showrooms.

Operating margins in the first half improved significantly from 9.6% to 14.0%, reflecting both the higher activity levels and an improved project mix. Merchandising is expected to continue to make good progress in the second half of the year.

As indicated in the preliminary results announcement, the beverage activities of Display Technologies were transferred from Merchandising into Beverage Dispense at the beginning of the year. The process to divest the majority of the balance of the Merchandising Group is on track.

Financial Review

Revenues were broadly flat at £1,087m (2012: £1,090m). After adjusting for the acquisitions of Remosa and InterAtiva in February of last year and for exchange rate movements, organic revenues were down 3%. Segmental operating profit was £182.6m, a 1% increase on the prior period (2012: £180.9m). At constant exchange rates segmental operating profit decreased by 1%. The segmental operating margin was 16.8%, up from 16.6% in the first half last year. Reported operating profit was up 5% at £162.2m (2012: £155.1m).

Net interest costs on our borrowings of £8.3m (2012: £8.5m) were covered 24 times by earnings before interest, tax, depreciation and amortisation (EBITDA) of £197m (2012: £195m). The IAS19 pension net financing charge was £4.2m (2012 restated: £4.1m). The revision to IAS19 'Employee Benefits' applied to the Group from 1 January 2013. The comparator charge of £4.1m for the first half of 2012 is stated on the new basis and compares to a credit of £5.3m as previously reported. The net IAS39 credit of £0.4m (2012: £2.5m) reflects net settlement income offset by a decrease in the value of outstanding derivatives in comparison to the previous period. The total net financing costs were £12.1m (2012 restated: £10.1m). Adjusted profit before tax (before exceptional items) was £170.1m, an increase of 1% (2012 restated: £168.3m).

Restructuring costs were £5.3m (2012: £13.5m), mainly reflecting the costs of a number of small site closures. As previously indicated, restructuring costs for the full year are expected to be around £15m. Amortisation of acquired intangibles was £12.3m (2012: £16.4m). The only other exceptional items were the reversal of net economic hedge contract gains of £2.8m (2012: £1.7m) and net exceptional financial instrument gains of £0.4m (2012: £2.5m).

After these exceptional items, reported profit before tax was up 4% at £150.1m (2012 restated: £145.0m).

The estimated effective tax rate on profit before exceptional items for 2013 reduced to 25.0%, which compares to an effective rate of 27.1% (restated) for the first half of 2012 and 26.1% (restated) for the full

year in 2012. The total profit for the period after taxation was £112.8m and, after non-controlling interests, the profit attributable to the equity shareholders of the Company was £111.2m. The average number of shares in issue during the period was 318.4m, resulting in basic earnings per share of 34.9p, an increase of 8% (2012 restated: 32.3p). Diluted earnings per share were 34.5p, also up 8% (2012 restated: 31.8p). Adjusted basic earnings per share from continuing operations were 39.6p, compared to 38.2p restated from the first half of 2012, an increase of 4%.

Return on invested capital

Post tax return on invested capital (ROIC) in the first half, on an annualised basis, was 17.6% which compares to 18.2% in the first half of 2012 with an improved working capital performance more than offset by the inclusion of the capital invested in the acquisitions of Remosa and InterAtiva. ROIC is calculated as segmental operating profit after tax divided by the average invested capital of the group during the half and then annualised.

Foreign Exchange

The impacts of translation on the reported growth of first half revenues and segmental operating profits were increases of £23m (2%) and £3.6m (2%) respectively. The most important foreign currencies for the Group remain the Euro and the US Dollar and the relevant rates of exchange for the period and at the period end are shown in note 12 to this report.

If the exchange rates at 19 August (US\$1.57 and €1.17) remained constant for the remainder of the year, the full year growth rates would be 3% higher for both revenues and segmental operating profit.

Cash flow

The cash inflow generated from operations was £143.0m, compared to £89.5m in the corresponding period last year. This included a working capital outflow of £51.6m against an outflow of £92.6m in the prior period. Trade and other receivables increased by £27.1m, there was an increase in inventories of £39.5m and an increase in trade and other payables of £15.0m. Capital expenditure on property, plant and equipment amounted to £16.7m and was 0.8 times the depreciation charge for the period of £19.8m. The other major cash outflows in the period were £21.3m of tax, dividends of £66.0m, and £69.2m for the purchase of shares, financed by the drawdown of borrowings of £66.9m in the period. The total cash inflow for the period was £9.8m, compared with an outflow of £41.7m in the first half of the previous year.

Balance sheet

The balance sheet remains strong with the ratio of net debt to the last twelve months' EBITDA being 0.5 at the end of June (December 2012: 0.4). Net debt increased during the period to £212m (December 2012: £144m) principally due to the facility drawdowns of £66.9m to finance our share buyback programme.

The Group maintains an appropriate mixture of cash and short, medium and long-term debt arrangements which provide sufficient headroom for both ongoing activities and acquisitions. Total committed bank loan facilities available to the Group at 30 June 2013 were £277m (December 2012: £273m) of which £75m were drawn (December 2012: nil).

Shareholders' equity at the end of June was £667.0m, an increase of £31.5m since the end of last year, which includes the attributable profit for the period of £111.2m, plus an after-tax actuarial gain on the defined benefit pension plans of £41.6m, shares acquired of £69.2m and the 2012 final dividend of £66.0m paid in May.

Pensions update

The IAS19 net pension deficit was £183m which compares to the deficits of £208m at 30 June 2012 and £232m at 31 December 2012. Of this amount, £76m (31 December 2012: £111m) related to the UK Fund which is the most significant of the Group's defined benefit obligations. The decrease in the UK defined benefit obligation mainly comprised a £36m appreciation of the scheme assets, principally resulting from

equity gains. The deficit relating to the overseas obligations decreased by £14m in the six month period, principally as a result of rises in the discount rates applied, in line with corporate bond yield increases.

Board changes

As previously announced Terry Gateley retired from the Board following the AGM on 9 May, 2013 at which time Anita Frew became senior independent director and Phil Bentley became chair of the Audit Committee. Sean Toomes stepped down from the Board on 6 March.

Going concern

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

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial report.

Principal Risks and Uncertainties

The Group has in place a risk management structure and internal controls which are designed to identify, manage and mitigate business risk.

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

On pages 32 to 33 of its 2012 Annual Report (a copy of which is available at IMI's website at www.imiplc.com), the Company sets out what the Directors regarded as being the principal risks and uncertainties facing the Group and which could have a material impact on the Group's long-term performance. These risks include changes in the economic and market environment; legal and regulatory; health, safety and environmental; pension funding; products and technology; key customers; supply chain; competitive markets; M&A activity; talent acquisition and retention; and major change projects. These risks remain valid and have the potential to impact the Group during the remainder of the second half of 2013. The impact of the economic and end-market environments in which the Group's businesses operate are considered in the operations review and outlook sections of this Interim Management Report above, together with an indication if management is aware of any likely change in this situation.

Cautionary Statement

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

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

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements has been prepared in accordance with IAS34 '*Interim Financial Reporting*' as adopted by the EU;
- the Interim Financial Report includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have

occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year;

- there were no related party transactions or changes in the related party transactions described in the 2012 Annual Report that materially affected the Group's results or financial position during the six months ended 30 June 2013.

The Directors of IMI plc are listed in the IMI Annual Report for the year ended 31 December 2012 with the exception of the Board changes referenced above.

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

Roberto Quarta

Chairman

21 August 2013

INDEPENDENT REVIEW REPORT TO IMI plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Statement of Changes in Equity, the Condensed Consolidated Interim Statement of Cash Flows and notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
21 August 2013

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	6 months to 30 June 2013 (unaudited)			Restated (Note 1) 6 months to 30 June 2012 (unaudited)			Restated (Note 1) Year to 31 Dec 2012		
		Before except- ional items £m	Except- ional items £m	Total £m	Before except- ional items £m	Except- ional items £m	Total £m	Before except- ional items £m	Except- ional items £m	Total £m
Revenue	2	1,086	1	1,087	1,091	(1)	1,090	2,192	(2)	2,190
Segmental operating profit	2	182.6		182.6	180.9		180.9	373.0		373.0
Reversal of net economic hedge contract gains			(2.8)	(2.8)		(1.7)	(1.7)		(6.8)	(6.8)
Past service credit - UK pension scheme			-	-		9.0	9.0		10.9	10.9
Restructuring costs			(5.3)	(5.3)		(13.5)	(13.5)		(23.3)	(23.3)
Acquired intangible amortisation			(12.3)	(12.3)		(16.4)	(16.4)		(29.6)	(29.6)
Other acquisition-related costs			-	-		(3.2)	(3.2)		(6.3)	(6.3)
Operating profit	2	182.6	(20.4)	162.2	180.9	(25.8)	155.1	373.0	(55.1)	317.9
Financial income	4	2.2	11.9	14.1	2.0	5.5	7.5	3.7	13.9	17.6
Financial expense	4	(10.5)	(11.5)	(22.0)	(10.5)	(3.0)	(13.5)	(21.4)	(8.1)	(29.5)
Net finance expense relating to defined benefit pension schemes	4	(4.2)		(4.2)	(4.1)		(4.1)	(8.2)		(8.2)
Net financial (expense)/income	4	(12.5)	0.4	(12.1)	(12.6)	2.5	(10.1)	(25.9)	5.8	(20.1)
Profit before tax		170.1	(20.0)	150.1	168.3	(23.3)	145.0	347.1	(49.3)	297.8
Taxation	5	(42.5)	5.2	(37.3)	(45.6)	4.7	(40.9)	(90.7)	11.9	(78.8)
Total profit for the period		127.6	(14.8)	112.8	122.7	(18.6)	104.1	256.4	(37.4)	219.0
Attributable to:										
Owners of the parent				111.2			102.5			215.9
Non-controlling interests				1.6			1.6			3.1
Profit for the period				112.8			104.1			219.0
Earnings per share	7									
Basic				34.9p			32.3p			67.9p
Diluted				34.5p			31.8p			67.0p

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2013 (unaudited)		Restated (Note 1) 6 months to 30 June 2012 (unaudited)		Restated (Note 1) Year to 31 Dec 2012	
	£m	£m	£m	£m	£m	£m
Profit for the period		112.8		104.1		219.0
Other comprehensive income/(loss)						
Items that may subsequently be reclassified to profit or loss:						
Change in fair value of effective net investment hedge derivatives	(1.8)		(1.4)		1.3	
Related tax effect	0.4		0.3		(0.3)	
Exchange differences on translation of foreign operations net of hedge settlements and funding revaluations	6.5		(13.2)		(14.1)	
Related tax effect	1.2		(0.3)		(0.1)	
		6.3		(14.6)		(13.2)
Fair value (loss)/gain on available for sale financial assets	(0.3)		(0.2)		0.2	
Related tax effect	0.1		0.1		(0.1)	
		(0.2)		(0.1)		0.1
		6.1		(14.7)		(13.1)
Items that will not subsequently be reclassified to profit or loss:						
Actuarial gain/(loss) on defined benefit plans	55.6		(13.6)		(56.0)	
Related tax effect	(14.0)		4.0		12.7	
Effect of rate change on previously recognised items	-		(2.8)		(5.6)	
		41.6		(12.4)		(48.9)
Other comprehensive income/(loss) for the period, net of tax		47.7		(27.1)		(62.0)
Total comprehensive income for the period, net of tax		160.5		77.0		157.0
Attributable to:						
Owners of the parent		158.9		75.4		153.9
Non-controlling interests		1.6		1.6		3.1
Total comprehensive income for the period, net of tax		160.5		77.0		157.0

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	30 June 2013 (unaudited) £m	30 June 2012 (unaudited) £m	31 Dec 2012 £m
Assets				
Intangible assets		490.5	562.8	544.5
Property, plant and equipment		245.9	250.9	245.3
Employee benefit assets		0.1	1.3	-
Deferred tax assets		51.7	73.4	65.6
Other receivables		6.6	4.3	6.0
Other financial assets		1.1	3.8	1.8
Total non-current assets		795.9	896.5	863.2
Inventories		342.4	354.7	301.3
Trade and other receivables		424.6	435.9	407.3
Other current financial assets		4.9	6.3	6.3
Current tax		13.0	9.5	23.1
Investments		20.8	20.1	20.4
Cash and cash equivalents		115.0	101.9	102.8
Total current assets		920.7	928.4	861.2
Assets in disposal group held for sale	3	101.0	-	-
Total assets		1,817.6	1,824.9	1,724.4
Liabilities				
Bank overdraft		(4.1)	-	(6.3)
Interest-bearing loans and borrowings		(2.0)	(22.4)	(3.1)
Provisions		(16.4)	(22.9)	(19.3)
Current tax		(5.9)	(25.2)	(7.4)
Trade and other payables		(435.7)	(457.8)	(430.1)
Other current financial liabilities		(6.4)	(5.4)	(2.7)
Total current liabilities		(470.5)	(533.7)	(468.9)
Liabilities associated with disposal group held for sale	3	(29.2)	-	-
Interest-bearing loans and borrowings		(319.4)	(345.3)	(237.2)
Employee benefit obligations		(183.3)	(209.7)	(232.2)
Provisions		(18.8)	(25.1)	(19.8)
Deferred tax liabilities		(35.1)	(48.1)	(36.7)
Other payables		(46.9)	(36.1)	(46.1)
Total non-current liabilities		(603.5)	(664.3)	(572.0)
Total liabilities		(1,103.2)	(1,198.0)	(1,040.9)
Net assets		714.4	626.9	683.5
Equity				
Share capital		85.2	85.1	85.2
Share premium		170.5	169.4	170.3
Other reserves		51.9	44.2	45.6
Retained earnings		359.4	279.4	334.4
Equity attributable to owners of the parent		667.0	578.1	635.5
Non-controlling interests	8	47.4	48.8	48.0
Total equity		714.4	626.9	683.5

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Translation reserve	Retained earnings Restated (Note 1)	Total parent equity Restated (Note 1)	Non-controlling interests	Total equity Restated (Note 1)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 1 January 2013	85.2	170.3	7.9	5.1	32.6	334.4	635.5	48.0	683.5
Profit for the period						111.2	111.2	1.6	112.8
Other comprehensive income				(1.4)	7.7	41.4	47.7	-	47.7
Total comprehensive income				(1.4)	7.7	152.6	158.9	1.6	160.5
Issue of share capital	-	0.2					0.2		0.2
Dividends paid						(66.0)	(66.0)		(66.0)
Share based payments (net of tax)						7.6	7.6		7.6
Shares acquired for:									
employee share scheme trust						(1.1)	(1.1)		(1.1)
share buyback programme						(68.1)	(68.1)		(68.1)
Income earned by partnership								(2.2)	(2.2)
As at 30 June 2013	85.2	170.5	7.9	3.7	40.3	359.4	667.0	47.4	714.4
As at 1 January 2012	85.0	169.3	7.9	4.1	46.8	251.7	564.8	49.4	614.2
Profit for the period						102.5	102.5	1.6	104.1
Other comprehensive income				(1.1)	(13.5)	(12.5)	(27.1)	-	(27.1)
Total comprehensive income				(1.1)	(13.5)	90.0	75.4	1.6	77.0
Issue of share capital	0.1	0.1					0.2		0.2
Dividends paid						(60.0)	(60.0)		(60.0)
Share based payments (net of tax)						7.3	7.3		7.3
Shares acquired for employee share scheme trust						(9.6)	(9.6)		(9.6)
Income earned by partnership								(2.2)	(2.2)
As at 30 June 2012	85.1	169.4	7.9	3.0	33.3	279.4	578.1	48.8	626.9
As at 1 January 2012	85.0	169.3	7.9	4.1	46.8	251.7	564.8	49.4	614.2
Profit for the year						215.9	215.9	3.1	219.0
Other comprehensive income				1.0	(14.2)	(48.8)	(62.0)	-	(62.0)
Total comprehensive income				1.0	(14.2)	167.1	153.9	3.1	157.0
Issue of share capital	0.2	1.0					1.2		1.2
Dividends paid						(97.8)	(97.8)	(0.1)	(97.9)
Share based payments (net of tax)						16.0	16.0		16.0
Shares acquired for employee share scheme trust						(2.6)	(2.6)		(2.6)
Income earned by partnership								(4.4)	(4.4)
As at 31 December 2012	85.2	170.3	7.9	5.1	32.6	334.4	635.5	48.0	683.5

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 months to 30 June 2013 (unaudited)	Restated (Note 1) 6 months to 30 June 2012 (unaudited)	Restated (Note 1) Year to 31 Dec 2012
	£m	£m	£m
Cash flows from operating activities			
Profit for the period	112.8	104.1	219.0
Adjustments for:			
Depreciation	19.8	21.1	41.3
(Reversal of)/impairment of property, plant and equipment	(0.5)	-	0.7
Amortisation of intangible assets	15.3	18.3	34.0
(Gain)/loss on sale of property, plant and equipment	(0.8)	-	2.0
Financial income	(14.1)	(7.5)	(17.6)
Financial expense	22.0	13.5	29.5
Net finance expense relating to defined benefit pension schemes	4.2	4.1	8.2
Equity-settled share-based payment expenses	4.9	4.9	10.1
Income tax expense	37.3	40.9	78.8
Increase in trade and other receivables	(27.1)	(43.0)	(19.4)
(Increase)/decrease in inventories	(39.5)	(23.8)	29.4
Increase/(decrease) in trade and other payables	15.0	(25.8)	(40.6)
Decrease in provisions and employee benefits	(6.3)	(17.3)	(31.9)
Cash generated from the operations	143.0	89.5	343.5
Income taxes paid	(21.3)	(43.3)	(102.9)
	121.7	46.2	240.6
CCI investigation costs	-	(1.6)	(2.8)
Additional pension scheme funding	-	-	(16.8)
Pension transfer incentive payments	-	(9.6)	(9.6)
Net cash from operating activities	121.7	35.0	211.4
Cash flows from investing activities			
Interest received	2.7	0.7	3.7
Proceeds from sale of property, plant and equipment	1.2	0.3	1.7
Sale of investments	0.9	0.7	0.6
Purchase of investments	(0.5)	(1.1)	(1.4)
Settlement of transactional derivatives	2.9	0.8	5.5
Settlement of currency derivatives hedging balance sheet	(18.3)	11.7	8.4
Acquisitions of controlling interests	-	(83.1)	(83.1)
Acquisition of property, plant and equipment	(16.7)	(18.3)	(39.1)
Capitalised non-acquired intangibles	(3.5)	(2.0)	(7.8)
Net cash outflow from investing activities	(31.3)	(90.3)	(111.5)
Cash flows from financing activities			
Interest paid	(10.3)	(9.1)	(21.4)
Payment to non-controlling interest	(2.2)	(2.2)	(4.4)
Shares acquired for employee share scheme trust	(1.1)	(9.6)	(2.6)
Share buyback programme including acquisition expenses	(68.1)	-	-
Proceeds from the issue of share capital for employee share schemes	0.2	0.1	1.2
Net drawdown/(repayment) of borrowings	66.9	94.4	(25.1)
Dividends paid to non-controlling interests	-	-	(0.1)
Dividends paid to equity shareholders	(66.0)	(60.0)	(97.8)
Net cash (outflow)/inflow from financing activities	(80.6)	13.6	(150.2)
Net increase/(decrease) in cash and cash equivalents	9.8	(41.7)	(50.3)
Cash and cash equivalents at the start of the year	96.5	147.5	147.5
Effect of exchange rate fluctuations on cash held	3.4	(3.9)	(0.7)
Cash and cash equivalents at the end of the period *	109.7	101.9	96.5

* Net of bank overdrafts of £5.5m (of which £1.4m is included in liabilities held for sale) and including £0.2m cash and cash equivalents presented in assets held for sale.

Reconciliation of net increase/(decrease) in cash to movement in net debt appears in note 10.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation

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

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

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

The comparative figures for the financial year ended 31 December 2012 are derived from the Company's statutory accounts for that financial year as defined in section 435 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

Accounting policies

As required by the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, this condensed set of financial statements has been prepared applying the same accounting policies and computation methods that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2012, other than those noted below. There have been several new and amended International Financial Reporting Standards which became effective as of 1 January 2013, the effects of which are noted below:

Presentational and financial effect:

- IAS19 '*Employee Benefits (Revised 2011)*' (see below)

Presentational impact only:

- IFRS13 '*Fair Value Measurement*'
- IAS1 '*Presentation of Financial Statements*'
- IAS34 '*Interim Financial Reporting*'

No impact:

- IFRS10 '*Consolidated Financial Statements*'
- IFRS11 '*Joint Arrangements*'
- IFRS12 '*Disclosure of Interests in Other Entities*'
- IAS28 '*Investments in Associates and Joint Ventures*'
- IAS31 '*Interests in Joint Ventures*'

Restatement in respect of IAS19 '*Employee Benefits (Revised 2011)*'

The condensed consolidated interim balance sheet as at 30 June 2012 and 31 December 2012 has been restated on adoption of IAS19 '*Employee Benefits*' (revised 2011). IAS19 as revised includes a number of amendments to the accounting for defined benefit plans, but the principal impact on the Group is that the return on plan assets recognised in the income statement is now calculated in a manner consistent with the interest charge on the liabilities, i.e. with reference to the discount rate applied to the liabilities. Prior to the revision, the expected return on assets was recognised through the income statement.

The retrospective impacts on the Group for the 2012 full year and half-year comparatives were decreases in the net financing credits of £19.2m and £9.4m respectively and associated reductions in the tax charge of £4.5m and £2.4m respectively. The equivalent credits and associated taxation impacts to these income statement charges have been recognised in other comprehensive income, consequently there was no overall net balance sheet effect. The principal impact of the other amendments to IAS19 for the Group relates to the new disclosure requirements, which will not affect the Group's reporting until the 2013 year-end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Segmental information

Segmental information is presented in the condensed consolidated interim financial statements for each of the Group's operating segments. The operating segment reporting format reflects the Group's management and internal reporting structures. Inter-segment revenue is insignificant.

The Group continues to include the following five operating segments and activities:

Fluid Controls

Severe Service

Design, manufacture, supply and service of high performance critical control and isolation valves and associated equipment for power generation plants, oil and gas producers, petrochemical and iron and steel plants and other process industries.

Fluid Power

Design, manufacture and supply of motion and fluid control systems, principally pneumatic devices, for original equipment manufacturers in commercial vehicle, life science, process, rail, food and beverage, and other industries.

Indoor Climate

Design, manufacture and supply of indoor climate control systems, principally balancing valves and water conditioning and pressurisation equipment for large commercial buildings and thermostatic radiator valves for residential buildings.

Retail Dispense

Beverage Dispense

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

Merchandising

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

Information regarding the operations of each reporting segment is included below. Performance is measured based on segmental operating profit which is the profit reported by the business, stated before exceptional items including the reversal of economic hedge contract gains and losses, the past service credit – UK pension scheme, restructuring, acquired intangible amortisation and acquisition-related costs. Businesses enter into forward currency and metal contracts to provide economic hedges against the impact on profitability of swings in rates and values in accordance with the Group's policy to minimise the risk of volatility in revenues, costs and margins. Segmental operating profits are therefore charged/credited with the impact of these contracts. In accordance with IAS39, these contracts do not meet the technical provisions required for hedge accounting and gains and losses are reversed out of segmental profit and are recorded in net financial income and expense for the purposes of the condensed consolidated interim income statement.

Following the re-organisation of our operating segments announced with our 2012 results, which resulted in the transfer of the beverage activities of our Display Technologies business from the Merchandising segment to the Beverage Dispense segment from 1 January 2013, the information in this note for comparative periods has been restated to show the comparative information on a post-reorganisation basis.

	Segmental revenue			Segmental operating profit			Segmental operating margin		
	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 Dec 2012 £m	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 Dec 2012 £m	6 months to 30 June 2013 %	Restated 6 months to 30 June 2012 %	Restated Year to 31 Dec 2012 %
Fluid Controls	831	841	1,696	146.1	147.6	300.1	17.6	17.6	17.7
Severe Service	322	326	686	49.0	45.5	96.3	15.2	14.0	14.0
Fluid Power	363	373	717	69.4	75.0	142.3	19.1	20.1	19.8
Indoor Climate	146	142	293	27.7	27.1	61.5	19.0	19.1	21.0
Retail Dispense	255	250	496	36.5	33.3	72.9	14.3	13.3	14.7
Beverage Dispense	172	180	349	24.9	26.6	53.5	14.5	14.8	15.3
Merchandising	83	70	147	11.6	6.7	19.4	14.0	9.6	13.2
Segmental result	1,086	1,091	2,192	182.6	180.9	373.0	16.8	16.6	17.0

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

2. Segmental information (continued)

		Segmental Restructuring costs		
		Restated	Restated	
		6 months to 30 June 2013	6 months to 30 June 2012	Year to 31 Dec 2012
		£m	£m	£m
Fluid Controls		1.8	10.2	18.9
	<i>Severe Service</i>	1.2	8.4	13.8
	<i>Fluid Power</i>	0.1	0.5	1.6
	<i>Indoor Climate</i>	0.5	1.3	3.5
Retail Dispense		3.5	3.3	4.4
	<i>Beverage Dispense</i>	1.8	1.2	1.7
	<i>Merchandising *</i>	1.7	2.1	2.7
Segmental result		5.3	13.5	23.3

* Includes £0.8m in respect of costs associated with the part-disposal of the Merchandising segment.

Reconciliation of reported segmental revenue and operating profit

	Revenue			Profit		
				Restated (Note 1)	Restated (Note 1)	
	6 months to 30 June 2013	6 months to 30 June 2012	Year to 31 Dec 2012	6 months to 30 June 2013	6 months to 30 June 2012	Year to 31 Dec 2012
	£m	£m	£m	£m	£m	£m
Segmental result	1,086	1,091	2,192	182.6	180.9	373.0
Reversal of economic hedge contract losses/(gains)	1	(1)	(2)	(2.8)	(1.7)	(6.8)
Past service cost - UK pension scheme				-	9.0	10.9
Restructuring costs				(5.3)	(13.5)	(23.3)
Acquired intangible amortisation				(12.3)	(16.4)	(29.6)
Other acquisition-related costs				-	(3.2)	(6.3)
Total revenue/operating profit reported	1,087	1,090	2,190	162.2	155.1	317.9
Net financial expense				(12.1)	(10.1)	(20.1)
Profit before tax				150.1	145.0	297.8

Balance Sheet

	Total Assets		Total Liabilities	
	Restated		Restated	
	6 months to 30 June 2013	Year to 31 Dec 2012	6 months to 30 June 2013	Year to 31 Dec 2012
	£m	£m	£m	£m
Fluid Controls	1,314.2	1,243.0	362.5	337.2
	<i>Severe Service</i>	<i>705.2</i>	<i>675.6</i>	<i>216.0</i>
	<i>Fluid Power</i>	<i>428.3</i>	<i>409.0</i>	<i>87.5</i>
	<i>Indoor Climate</i>	<i>180.7</i>	<i>158.4</i>	<i>59.0</i>
Retail Dispense	291.2	264.4	76.9	75.6
	<i>Beverage Dispense</i>	<i>178.5</i>	<i>164.8</i>	<i>48.0</i>
	<i>Merchandising - Ongoing</i>	<i>11.9</i>	<i>99.6</i>	<i>5.0</i>
	<i>Merchandising - Held for Sale (note 3)</i>	<i>100.8</i>	<i>-</i>	<i>23.9</i>
Total Segmental assets	1,605.4	1,507.4	439.4	412.8
Corporate items	11.4	5.1	76.1	72.9
Employee benefits	0.1	-	183.3	232.2
Investments	20.8	20.4	-	-
Cash and cash equivalents/borrowings	115.2	102.8	326.9	246.6
Net taxation and others	64.7	88.7	77.5	76.4
Total reported in the Group balance sheet	1,817.6	1,724.4	1,103.2	1,040.9

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

2. Segmental information (continued)

Segmental disclosures for the Retail Dispense businesses prior to the segmental re-organisation on 1 January 2013 were as follows

	6 months to 30 June 2012		Year to 31 Dec 2012	
	Beverage Dispense	Merchandising	Beverage Dispense	Merchandising
	£m	£m	£m	£m
Segmental Revenue	160	90	313	183
Segmental operating profit	21.6	11.7	45.0	27.9
Segmental operating margins	13.5%	13.0%	14.4%	15.2%
Restructuring costs	1.0	2.3	1.4	3.0
Segment Assets	137.2	147.1	125.7	138.7
Segment Liabilities	51.1	31.8	44.8	30.8

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

3. Non-current assets held for sale

In March 2013 the Group announced its intention to divest the majority of the Merchandising segment and that options to do so were being explored. At this time, an active programme to identify potential purchasers of the Artform and DCI operations had begun and we determined that all the criteria to designate these operations as held for sale under IFRS5 '*Non-current assets held for sale and discontinued operations*' had been met. Accordingly, we designated the assets and liabilities of these businesses as held for sale from 6 March 2013, the date at which these criteria were met. These assets and liabilities comprise a disposal group and are presented separately in the Balance Sheet as at 30 June 2013.

The proceeds of the disposal are expected to substantially exceed the book value of the related net assets and therefore the comparison between the net assets' carrying amounts and their fair values less costs to sell resulted in no measurement changes to the net assets, nor were any impairment losses recognised when the assets were impairment tested upon classification as held for sale, due to the profitable nature of the operations.

Although these operations meet the criteria to be held for sale under IFRS5, they do not meet the definition of a discontinued operation; consequently their results continue to be reported in continuing activities as part of the Merchandising segment, which also includes the Cannon business.

The major classes of assets and liabilities of these businesses in the disposal group are as follows:

	30 June 2013 £m
Segmental assets	
Intangible assets	63.9
Property, plant and equipment	4.4
Inventories	8.4
Trade and other receivables	24.1
Total segmental assets	100.8
Non-segmental assets	
Cash and cash equivalents	0.2
Total assets classified as held for sale	101.0
Segmental liabilities	
Trade and other payables	(23.9)
Total segmental liabilities	(23.9)
Non-segmental liabilities	
Tax liabilities	(3.9)
Bank overdrafts and loans	(1.4)
Total liabilities associated with assets classified as held for sale	(29.2)
Net assets of disposal group	71.8

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

4. Net financial income and expense

	6 months to 30 June 2013			6 months to 30 June 2012		
	Interest	Financial instruments	Total	Restated (Note 1) Interest	Financial instruments	Restated (Note 1) Total
Recognised in the income statement						
Interest income on bank deposits	2.2		2.2	2.0		2.0
Financial instruments at fair value through profit or loss:						
Designated hedges		0.6	0.6		0.6	0.6
Other economic hedges						
- current period trading		7.5	7.5		2.7	2.7
- future period transactions		3.8	3.8		2.2	2.2
Financial income	2.2	11.9	14.1	2.0	5.5	7.5
Interest expense on interest-bearing loans and borrowings	(10.5)		(10.5)	(10.5)		(10.5)
Financial instruments at fair value through profit or loss:						
Designated hedges		(0.6)	(0.6)		(0.6)	(0.6)
Other economic hedges						
- current period trading		(4.3)	(4.3)		(0.5)	(0.5)
- future period transactions		(6.6)	(6.6)		(1.9)	(1.9)
Financial expense	(10.5)	(11.5)	(22.0)	(10.5)	(3.0)	(13.5)
Net finance expense relating to defined benefit pension schemes	(4.2)		(4.2)	(4.1)		(4.1)
Net financial (expense)/income	(12.5)	0.4	(12.1)	(12.6)	2.5	(10.1)

	Year to 31 Dec 2012		
	Restated (Note 1) Interest	Financial instruments	Restated (Note 1) Total
Recognised in the income statement			
Interest income on bank deposits	3.7		3.7
Financial instruments at fair value through profit or loss:			
Designated hedges		1.0	1.0
Other economic hedges			
- current year trading		10.2	10.2
- future year transactions		2.7	2.7
Financial income	3.7	13.9	17.6
Interest expense on interest-bearing loans and borrowings	(21.4)		(21.4)
Interest cost capitalised			
Financial instruments at fair value through profit or loss:			
Designated hedges		(1.0)	(1.0)
Other economic hedges			
- current year trading		(4.5)	(4.5)
- future year transactions		(2.6)	(2.6)
Financial expense	(21.4)	(8.1)	(29.5)
Net finance expense relating to defined benefit pension schemes	(8.2)		(8.2)
Net financial expense	(25.9)	5.8	(20.1)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Taxation

The tax charge before exceptional items is £42.5m which equates to an effective tax rate of 25.0% compared to 27.1% (restated from 27.0%) for the comparative 6 month period in the prior year.

The main rate of UK corporation tax reduced to 23% from 1 April 2013. This rate change was included within the Finance Act 2012 and the resulting impact on the Group's deferred tax position was therefore reflected in the Group's consolidated accounts at 31 December 2012.

Additional changes to the main rate of UK Corporation tax were included in the Finance Act 2013 to reduce the rate to 21% by 1 April 2014 and to 20% from 1 April 2015. These changes were substantively enacted in July 2013, subsequent to the balance sheet date and consequently their effects are not included in these condensed financial statements.

6. Exceptional items

Exceptional items are disclosed separately on the face of the income statement and added back in arriving at adjusted earnings when their quantum, one-off nature or volatility would otherwise distort the Group's underlying trading performance. The financial effect of the items added back to adjusted earnings is disclosed in note 7. The following items are considered to be exceptional in these financial statements:

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

There have been no special pensions events during the first half of 2013. The net credit arising on special pensions events in 2012 comprised a £9.0m past service credit in the first half of the year in relation to the pension increase exchange exercise and in the second half of the year, a similar £3.2m past service credit relating to plan changes in two of our Swiss schemes and a £1.3m charge in relation to the exit of a Japanese state-sponsored scheme.

The restructuring costs arising in the year principally comprise a site closure in each of our UK beverage dispense, US Merchandising and US Severe Service businesses in addition to strategic cost reduction exercises in each of our Indoor Climate, Severe Service and Beverage Dispense businesses. An analysis of these costs by segment is included in note 2.

There have been no other acquisition-related costs during the first half of 2013. In 2012, other acquisition-related costs comprised an accrual of £4.0m (June 2012: £1.0m) for additional consideration payable to the vendors of InterAtiva and acquisition costs of £2.3m (June 2012: £2.2m) relating to Remosa and InterAtiva, which completed during 2012.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

7. Earnings per ordinary share

Basic and diluted earnings per share have been calculated on earnings of £111.2m (2012 restated: £102.5m). The directors consider that adjusted earnings per share figures, using earnings attributable to the owners of the parent as calculated below, give a more meaningful indication of the underlying performance because either the quantum, the one-off nature, or volatility of these items would otherwise distort the underlying performance. The 2012 comparative figures below have been restated for the impact of the revisions to IAS19, which are explained in note 1.

		30 June 2013 million	30 June 2012 million	31 Dec 2012 million
Weighted average number of shares for the purpose of basic earnings per share	A	318.4	317.3	317.8
Dilutive effect of employee share options		4.2	5.5	4.3
Weighted average number of shares for the purpose of diluted earnings per share	B	322.6	322.8	322.1
		6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 Dec 2012 £m
Profit for the period (2012: as previously reported)		112.8	111.1	233.7
Non-controlling interests		(1.6)	(1.6)	(3.1)
Profit for the period attributable to owners of the parent (2012: as previously reported)	C	111.2	109.5	230.6
Restatement of net finance credit relating to defined benefit schemes		-	(9.4)	(19.2)
Related taxation effect		-	2.4	4.5
Profit for the period attributable to owners of the parent (2012: restated)	D	111.2	102.5	215.9
Exceptional charges/(credits) included in profit for the period:				
Financial instruments excluding economic hedge contract gains and losses		2.4	(0.8)	1.0
Past service credit - UK pension scheme		-	(9.0)	(10.9)
Restructuring costs		5.3	13.5	23.3
Acquired intangible amortisation		12.3	16.4	29.6
Other acquisition-related costs		-	3.2	6.3
Taxation on exceptional charges/(credits) included in profit before tax		(5.2)	(4.7)	(11.9)
Earnings for adjusted EPS (2012: restated)	E	126.0	121.1	253.3
Profit for the period attributable to owners of the parent as previously reported			109.5	230.6
Exceptional charges/(credits) included in profit for the period:				
Financial instruments excluding economic hedge contract gains and losses			(0.8)	1.0
Past service credit - UK pension scheme			(9.0)	(10.9)
Restructuring costs			13.5	23.3
Acquired intangible amortisation			16.4	29.6
Other acquisition-related costs			3.2	6.3
Taxation on exceptional charges/(credits) included in profit before tax			(4.7)	(11.9)
Earnings for adjusted EPS (as previously reported)	F		128.1	268.0
EPS measures as previously reported:				
Basic EPS	C/A		34.5p	72.6p
Diluted EPS	C/B		33.9p	71.6p
Adjusted basic EPS	F/A		40.4p	84.3p
Adjusted diluted EPS	F/B		39.7p	83.2p
EPS measures as restated				
Basic EPS	D/A	34.9p	32.3p	67.9p
Diluted EPS	D/B	34.5p	31.8p	67.0p
Adjusted basic EPS	E/A	39.6p	38.2p	79.7p
Adjusted diluted EPS	E/B	39.1p	37.5p	78.6p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Non-controlling interests

	6 months to 30 June 2013			6 months to 30 June 2012			Year to 31 Dec 2012		
	Shanghai CCI £m	SLP £m	Total £m	Shanghai CCI £m	SLP £m	Total £m	Shanghai CCI £m	SLP £m	Total £m
Opening non-controlling interests	2.6	45.4	48.0	2.6	46.8	49.4	2.6	46.8	49.4
Profit for the year attributable to non-controlling interests	0.1	1.5	1.6	0.1	1.5	1.6	0.1	3.0	3.1
Dividends paid to non-controlling interests	-	-	-	-	-	-	(0.1)	-	(0.1)
Income earned by partnership	-	(2.2)	(2.2)	-	(2.2)	(2.2)	-	(4.4)	(4.4)
Movement in non-controlling interest	0.1	(0.7)	(0.6)	0.1	(0.7)	(0.6)	-	(1.4)	(1.4)
Closing non-controlling interests	2.7	44.7	47.4	2.7	46.1	48.8	2.6	45.4	48.0

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

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

9. Dividend

The final dividend relating to the year ended 31 December 2012 of 20.7p per share was paid in May 2013 amounting to £66.0m (2012: £60.0m).

In addition, the directors have declared an interim dividend for the current year of 12.8p per share (2012: 11.8p) which will be paid on 11 October 2013 to shareholders on the register on 6 September 2013. In accordance with IAS10 'Events after the Balance Sheet Date' this interim dividend has not been reflected in these condensed consolidated interim financial statements.

10. Cash flow reconciliation

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

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 Dec 2012 £m
Net increase/(decrease) in cash and cash equivalents	9.8	(41.7)	(50.3)
(Drawdown)/repayment of borrowings	(66.9)	(94.4)	25.1
Net debt increase from cash flow and borrowings (drawdown)/repayment	(57.1)	(136.1)	(25.2)
Borrowings acquired	-	(20.8)	(20.8)
Currency translation differences	(10.8)	(0.7)	10.4
Movement in net debt in the period	(67.9)	(157.6)	(35.6)
Net debt at the start of the period	(143.8)	(108.2)	(108.2)
Net debt at the end of the period*	(211.7)	(265.8)	(143.8)
Total currency effect on the net debt movement including currency balance sheet derivatives settlements	(29.1)	11.0	18.8

*Includes £1.2m net debt in respect of assets held for sale.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Employee Benefits

The net defined pension liability at 30 June 2013 was £183.2m (31 December 2012: £232.2m). The UK deficit decreased by £35.1m in the six month period to £75.5m (31 December 2012: £110.6m). The main component of this decrease was a £35.6m appreciation of the scheme assets, principally resulting from equity gains. The net deficit in respect of the total overseas obligations decreased by £13.9m to £107.7m (31 December 2012: £121.6m), principally due to increases in the discount rates applied to the liabilities resulting from increases in corporate bond yields.

IAS19 revised has been applied retrospectively as of 1 January 2012. This revision changes the apportionment of the expected return on pension assets so that the amount recognised in the income statement is now limited to the discount rate applied to the plan assets, with the remainder of the return recognised in other comprehensive income. Prior to this revision, the whole of the expected return on the plan assets was recognised in the income statement, with differences between the actual and expected return recognised in other comprehensive income.

The retrospective impacts on the Group for the 2012 full year and half-year comparatives were decreases in the net financing credits of £19.2m and £9.4m respectively and associated reductions in the tax charge of £4.5m and £2.4m respectively. As the equivalent credits to these income statement charges were recognised in other comprehensive income, there was no overall net balance sheet effect. The principal impact of the other amendments to IAS19 for the Group relates to the new disclosure requirements, which will not affect the Group's reporting until the 2013 year-end.

12. Exchange rates

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

	Income statement and cash flow average rates			Balance sheet rates as at		
	6 months to 30 June 2013	6 months to 30 June 2012	Year to 31 Dec 2012	30 June 2013	30 June 2012	31 Dec 2012
Euro	1.18	1.22	1.23	1.17	1.24	1.23
US Dollar	1.54	1.58	1.59	1.53	1.57	1.62

13. Property, plant and equipment

Capital expenditure of £16.7m in the period includes £16.2m in respect of plant and equipment, and £0.5m in respect of land and buildings.

14. Contingent liability

In May 2012 companies belonging to a British builders' merchant served damages claims against IMI plc and others relating to alleged financial losses incurred in the UK as a result of anti-competitive behaviour undertaken by a number of manufacturers of copper plumbing tubes and copper plumbing fittings. An investigation by the European Commission was commenced in 2001 and found cartel activity for which it imposed fines in 2004 (tubes) and 2006 (fittings). IMI plc disposed of its former copper plumbing tubes and fittings businesses in 2002. There are separate tubes and fittings cases ongoing in the English High Court and, whilst both remain at an early stage, IMI continues to defend both claims robustly and has brought in all other appropriate parties as contributors. It is still not possible for IMI to assess properly whether any losses can be established by the claimant and, if so, the potential quantum or timing of such losses and, if necessary, the contributions recoverable from other parties, including IMI's former tubes and fittings subsidiaries.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

15. Fair value hierarchy

Set out below is an overview of the Group's financial instruments held at fair value as at 30 June 2013.

Fair value measurements at the end of the reporting period using:

	Quoted prices in active markets for identical assets/liabilities	Significant other observable inputs	
	Level 1	Level 2	Total
	£m	£m	£m
Financial assets measured at fair value			
Equity instruments	18.8		18.8
Cash and cash equivalents*	115.2		115.2
Interest rate swaps		1.5	1.5
Foreign currency forward contracts		4.5	4.5
	134.0	6.0	140.0
Financial liabilities measured at fair value			
Debt instruments		(21.1)	(21.1)
Metals forward contracts		(0.3)	(0.3)
Foreign currency forward contracts		(6.1)	(6.1)
	-	(27.5)	(27.5)

* Includes £0.2m presented in assets held for sale.

Valuation techniques for level 2 inputs

Long-term borrowings subject to hedging arrangements of £21.1m and derivative assets and liabilities of £6.0m and £6.4m respectively are valued by Level 2 techniques. The valuations are derived from discounted contractual cash flows using observable, and directly relevant, market interest rates and foreign exchange rates from market data providers.

The fair values of all financial assets and liabilities in the balance sheet as at 30 June 2013, 31 December 2012 and 30 June 2012 are materially equivalent to their carrying values with the exception the US private placement fixed rate loans, for which the carrying values are set out below:

	Carrying value	Fair value
	£m	£m
30 June 2013	222.2	255.9
31 December 2012	216.6	258.2
30 June 2012	229.3	268.2

The Group can confirm that there are no significant changes in the business or economic circumstances that affect the fair value of financial assets or financial liabilities, no transfers between the levels in the hierarchy used to measure the financial assets and liabilities carried at fair value, neither have there been any changes in the classification of financial assets as a result of a change to their purpose of use, other than the reclassification of certain assets and liabilities as held for sale as disclosed in note 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Financial information

Definitions

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

References to EPS, unless otherwise stated, relate to reported basic adjusted EPS from continuing operations i.e. after adjustment for the per share after tax impact of exceptional items in note 7. The directors consider that the quantum, one-off nature or volatility of these adjustments can distort the underlying performance of the Group and for this reason the commentary discusses these adjusted amounts.

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

NEXT ANNOUNCEMENT

IMI expects to release its next interim management statement on 15 November 2013.

ENQUIRIES TO:

Will Shaw
Suzanne Barch / Robert Morgan

Investor Relations Director
StockWell Communications

Tel: +44 (0)121 717 3712
Tel: +44 (0) 20 7240 2486

The press release, presentation and video webcast will be available on the corporate website at www.imiplc.com.

Notes to editors

IMI plc, the international engineering company, designs, manufactures and services bespoke solutions that control the precise movement of fluids. Its innovative technologies, built around valves and actuators, enable vital processes to operate safely, cleanly, efficiently and cost-effectively.

It works with customers across a range of high growth sectors, including energy, oil and gas, energy efficient buildings, rail, commercial vehicles and beverage dispense all of which are benefiting from the impact of long term global trends including climate change, urbanisation, resource scarcity and ageing population.

IMI employs over 15,000 people, has manufacturing facilities in more than 20 countries worldwide and operates a global service network. The Company is listed on the London Stock Exchange and is a member of the FTSE100. Further information is available at www.imiplc.com.