

# HALMA

Halma p.l.c. Half year report 2007/08



We are protecting lives  
and improving quality of life  
for people worldwide.

## Financial highlights

	Change	2007/08	2006/07
Continuing operations			
Revenue	+12%	£187.9m	£167.5m
Adjusted profit before taxation <sup>(1)</sup>	+10%	£33.6m	£30.6m
Statutory profit before taxation	+8%	£31.6m	£29.2m
Adjusted earnings per share <sup>(2)</sup>	+10%	6.31p	5.73p
Statutory earnings per share	+9%	5.97p	5.46p
Interim dividend per share	+5%	3.00p	2.85p
Return on sales <sup>(3)</sup>		17.9%	18.3%
Return on total invested capital <sup>(4)</sup>		13.9%	13.3%
Return on capital employed <sup>(4)</sup>		58.5%	59.0%

Pro-forma information:

(1) Adjusted to remove the amortisation of acquired intangible assets of £1,968,000 (2006/07: £1,452,000).

(2) Adjusted to remove the amortisation of acquired intangible assets. See note 4 for details.

(3) Return on sales is defined as adjusted<sup>(1)</sup> profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

(4) Organic growth rates, return on capital employed (ROCE) and return on total invested capital (ROTIC) are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 7 for details.

## Chairman's statement

# The Board continues to remain confident in the prospects for the full year.

### Results

For the first half, revenue from continuing operations increased 12% to £187.9 million (2006/07: £167.5 million) and adjusted\* profit before tax from continuing operations increased 10% to £33.6 million (2006/07: £30.6 million). Statutory profit before tax increased by 8% to £31.6 million. Organic revenue growth\*\* was 8% and 11% at constant currency. Organic profit growth\*\* was 5%, 8% at constant currency. Return on total invested capital\*\* was 13.9% (2006/07: 13.3%).

We continue to invest strongly in products, people and market development. An example of the latter is a modest acquisition in China to manufacture low cost gas detectors to service the Asia Pacific market and to provide components for elsewhere. On 1 October 2007 we acquired Sonar Research & Development Limited which manufactures solid-state sonars for subsea applications which will complement the product range of Tritech International, our existing subsea asset monitoring company.

### Dividends

The Board declares an interim dividend of 3 pence per share, an increase of 5% which will be paid on 6 February 2008 to shareholders on the register at 4 January 2008. This increase reflects the Board's confidence in Halma's long-term growth prospects whilst continuing to improve our dividend cover.

### Progress

Across the Group, progress has been solid. We are seeing good management development and it is pleasing to see an increase in the number of internal promotions to subsidiary Boards throughout the Group.

We have a strengthening list of possible acquisition prospects and so far the current liquidity squeeze does not seem to have reduced the potential M&A activity within our chosen markets.

### Outlook

The Board continues to remain confident in the prospects for the full year.

**Geoff Unwin** Chairman



\*Before amortisation of acquired intangible assets.

\*\*See Financial highlights.

## Chief Executive's review

# Consistently good short-term performance whilst investing in growth for the future.



### **Fifth successive half year of strong organic growth**

We have made good progress during the first half of the year, achieving record revenue and profits. Overall revenue growth of 12% and profit\* growth of 10% was achieved despite a negative currency impact of 3% (mainly US Dollar). Organic revenue growth\*\* was 8% (11% at constant currency) and organic profit growth\*\* was 5% (8% at constant currency).

Double digit revenue growth was achieved in all major geographic regions with the exception of the US where adverse currency movements reduced growth from 16% at constant currency to 7%. Overall market conditions were steady, as were our product margins. The energy market niche, in particular, continued to offer strong opportunities for growth.

Cash generation in the first half of the year was satisfactory. We ended the period with net debt of £6.4 million.

### **Encouraging progress in China; further small investments being made**

Following the creation of our Halma China hubs last year, we are seeing promising results already with revenue to China up 38% to £4.3 million (2006/07: £3.1 million). To boost our efforts further, small investments to establish new local businesses in Infrastructure Sensors (Fire sub-sector) and Industrial Safety (Gas sub-sector) should start to bear fruit as we move into next year. Actions to establish additional manufacturing facilities in China for certain other Group companies during the second half are proceeding to plan.

### **Strong growth in Fire drives Infrastructure Sensors forward; major strategic actions in Security**

Infrastructure Sensors increased revenue by 8% to £80.4 million and profit by 1% to £13.8 million – all organic growth. Our Fire detection business delivered an exceptional performance, driven by a strategic move towards becoming a total fire solutions business by successfully adding complementary products to our existing line of detectors. The growth of our Fire detection business reduced the cost impact of implementing the planned strategic actions in our Security business designed to position this sector for global expansion. Examples include gaining new national and international product approvals and improving the efficiency of the UK manufacturing base. The benefits of these changes should start to emerge during the second half of the year and should make a tangible positive impact on the sectoral performance in the next financial year.

\*Before amortisation of acquired intangible assets.

\*\*See Financial highlights.

## Strategic achievements

- Organic profit growth 5%, organic revenue growth 8%
- New acquisitions in Industrial Safety, further resources allocated
- Revenue to China up by £1.2 million (38%) to £4.3 million
- New Halma Management Development Programme established to complement existing senior executive programme
- R&D expenditure up by 28% to 5.0% of revenue

## Strategic directions

- Organic growth to exceed 5% p.a.
- Targeted acquisitions
- Build on Chinese hubs and grow revenues in Asia
- Continued management development
- Maintain strong new product introductions

### Health and Analysis makes solid progress; increased investment in selling and R&D

Despite taking the brunt of the US Dollar currency effects, Health and Analysis grew revenue by 12% to £62.7 million and profits by 7% to £12.0 million. Product margins remained steady and investment in sales and R&D resources was increased. Balancing the tension between adding additional resources to secure sustainable growth and delivering consistent profit increases in the short term is a constant management focus in these higher growth markets. In this context, I am pleased with the progress made in the year to date.

### Industrial Safety continues to prosper in good market conditions

Industrial Safety delivered another excellent performance in good market conditions – especially for those businesses selling into the oil, gas and petrochemical markets. Revenue grew by 23% to £45.0 million and profit by 27% to £9.0 million. Our Safety interlock sub-sector is performing particularly well having sought, in recent years, to develop new sales, product development and manufacturing strategies. Their continued success over a long period within the Group is pleasing to see.

### Investment in innovation and people development increases further

Our commitment to building a culture which encourages innovation and prioritises people development is stronger than ever. R&D expenditure increased by 28% to £9.4 million, from 4.4% to 5.0% of revenue, thereby reducing the Group's overall return on sales margin slightly. However, this investment is necessary to ensure that organic growth is sustained.

The Halma Annual Innovation Award for 2007 was won by a team from Crowcon Detection Instruments who developed a new flue gas analyser, called Sprint V, which is already being used extensively by British Gas. The runners-up were Ocean Optics, who created a new market niche for their products in science education and Klaxon Signals, who developed the new Nexus sounder beacons for industrial and fire alarm applications.

We continue to reap the benefits of increasing our investment in developing talent within the Group. Our ability to identify and target resources to meet the fast-changing needs of our business has improved tremendously. Since the start of the year, two Executive Board positions have been filled through internal promotion. Most recently Allan Stamper, previously a Divisional Managing Director of our Gas detection business, replaced Andy Richardson, who left the Group in early October.

### Additional resources allocated to support more acquisitions

In October 2007, we added to our Industrial Safety sector by acquiring Sonar Research & Development Limited (SRD) for £2.6 million. SRD will add new technology to our existing subsea asset monitoring business, Tritech International, and benefit from their stronger market distribution.

At a Group level we have appointed two of our more experienced subsidiary executives to work alongside our Divisional Chief Executives to ensure we can generate greater momentum in our acquisition activities, whilst ensuring our efforts to sustain organic growth are also maintained. We have substantial resources available for further investment in innovation and growth.

### Risks and uncertainties

Geographic expansion increases the exposure of the Group to different accounting bases and business cultures. Strong and well trained local managers utilising our common reporting procedures and policies, together with rigorous internal audit processes, help to mitigate this risk.

As experienced acquirers, we recognise that making acquisitions involves risk both at the time of acquisition and during integration thereafter. Increased resources are being directed at both these pre-acquisition and post-acquisition stages to ensure the businesses we acquire meet our demanding financial and growth criteria.

The Group does not use complex derivative financial instruments or undertake speculative treasury transactions but is exposed to foreign currency risk. Payments and receipts are hedged at the time of invoice, significant currency net assets are hedged, future currency profits are not. Our main currency risk is the US Dollar relative to Sterling where a 1% shift impacts revenue by approximately £1 million and profits by approximately £200,000 in a full year.

### Summary

Halma's diverse and carefully selected market mix has enabled the Group to deliver consistently good short-term performances whilst also investing in growth for the future. We remain positive about our prospects for making further progress this year and in the medium term.

**Andrew Williams** Chief Executive

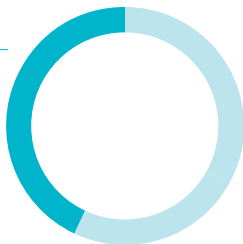
# We have three sectors...

## Infrastructure Sensors

We make products which detect hazards to protect people and property in public and commercial buildings.

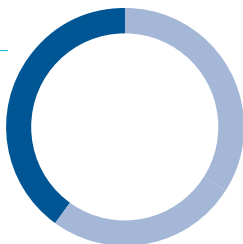
Infrastructure Sensors revenue 2007/08 £m

**£80m**  
43%



Infrastructure Sensors profit\* 2007/08 £m

**£14m**  
40%



- Sub-sectors
- Fire detection
- Security sensors
- Automatic door sensors
- Elevator safety

## Health and Analysis

We make components and products used to improve personal and public health. We also develop technologies and products which are used for analysis in safety, environmental and leisure related markets, including Water.

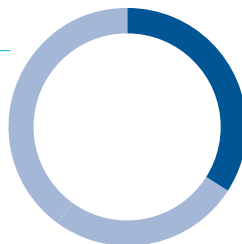
Health and Analysis revenue 2007/08 £m

**£63m**  
33%



Health and Analysis profit\* 2007/08 £m

**£12m**  
34%



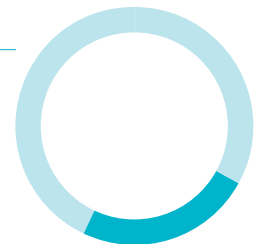
- Sub-sectors
- Water
- Fluid technology
- Photonics
- Health optics

## Industrial Safety

We make products which protect property and people at work.

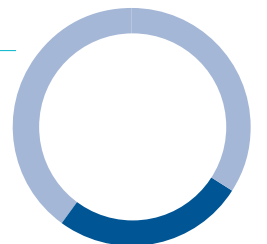
Industrial Safety revenue 2007/08 £m

**£45m**  
24%



Industrial Safety profit\* 2007/08 £m

**£9m**  
26%



- Sub-sectors
- Gas detection
- Bursting discs
- Safety interlocks
- Asset monitoring

\*See note 1.

# ...and one approach

As a group we are:

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- Autonomous and entrepreneurial
- Highly cash generative
- Financially strong
- Successful acquirers of good businesses
- Committed to developing our people
- Good at sharing opportunities

Our businesses have:

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- Robust growth drivers
- Worldwide opportunities
- High performance products
- Innovative product development
- Market leading positions
- High barriers to entry
- Empowered local management

# Condensed financial statements

## Consolidated income statement

		26 weeks to 29 September 2007		Unaudited	26 weeks to 30 September 2006		Unaudited	Audited
	Notes	Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000	Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000	52 weeks to 31 March 2007
<b>Continuing operations</b>								
<b>Revenue</b>	1	187,868	–	187,868	167,522	–	167,522	354,606
<b>Operating profit</b>		34,310	(1,968)	32,342	31,469	(1,452)	30,017	64,462
Finance income		4,017	–	4,017	3,592	–	3,592	7,272
Finance expense		(4,764)	–	(4,764)	(4,434)	–	(4,434)	(9,101)
<b>Profit before taxation</b>		33,563	(1,968)	31,595	30,627	(1,452)	29,175	62,633
Taxation	3	(10,050)	705	(9,345)	(9,397)	450	(8,947)	(18,622)
<b>Profit for the period attributable to equity shareholders</b>	1	23,513	(1,263)	22,250	21,230	(1,002)	20,228	44,011
<b>Earnings per ordinary share</b>								
<b>From continuing operations</b>								
Basic		6.31p		5.97p	5.73p		5.46p	11.86p
Diluted				5.94p			5.44p	11.77p
<b>Dividends in respect of the period</b>								
Declared and paid (£000)				11,187			10,614	26,753
Declared and paid per share				3.00p			2.85p	7.18p

# Consolidated balance sheet

	Unaudited 29 September 2007 £000	Unaudited 30 September 2006 £000	Audited 31 March 2007 £000
<b>Non-current assets</b>			
Goodwill	129,207	120,606	129,521
Other intangible assets	14,953	11,554	15,338
Property, plant and equipment	50,287	48,854	49,580
Deferred tax assets	9,717	14,550	11,178
	204,164	195,564	205,617
<b>Current assets</b>			
Inventories	39,789	37,385	39,134
Trade and other receivables	81,225	71,185	81,650
Cash and cash equivalents	25,360	28,226	22,051
	146,374	136,796	142,835
<b>Total assets</b>	<b>350,538</b>	<b>332,360</b>	<b>348,452</b>
<b>Current liabilities</b>			
Borrowings	31,752	30,548	29,762
Trade and other payables	55,935	51,604	62,590
Tax liabilities	9,936	7,762	6,043
	97,623	89,914	98,395
<b>Net current assets</b>	<b>48,751</b>	<b>46,882</b>	<b>44,440</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	34,703	48,499	37,260
Trade and other payables	2,538	3,285	3,005
Deferred tax liabilities	2,581	2,720	3,184
	39,822	54,504	43,449
<b>Total liabilities</b>	<b>137,445</b>	<b>144,418</b>	<b>141,844</b>
<b>Net assets</b>	<b>213,093</b>	<b>187,942</b>	<b>206,608</b>
<b>Capital and reserves</b>			
Called up share capital	37,394	37,194	37,312
Share premium account	16,263	13,791	15,239
Treasury shares	(2,058)	(874)	(1,664)
Capital redemption reserve	185	185	185
Translation reserve	(5,035)	(1,299)	(4,272)
Other reserves	4,806	2,289	3,654
Retained earnings	161,538	136,656	156,154
<b>Shareholders' funds</b>	<b>213,093</b>	<b>187,942</b>	<b>206,608</b>

## Statement of recognised income and expense

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
Exchange differences on translation of foreign operations	(763)	(7,243)	(10,216)
Actuarial gains/(losses) on defined benefit pension schemes	23	(2,111)	7,084
Tax on items taken directly to reserves	(750)	744	(2,122)
Net loss recognised directly in reserves	(1,490)	(8,610)	(5,254)
Profit for the period	22,250	20,228	44,011
<b>Total recognised income and expense for the period</b>	<b>20,760</b>	<b>11,618</b>	<b>38,757</b>

## Reconciliation of movements in shareholders' funds

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
Shareholders' funds brought forward	206,608	188,080	188,080
Profit for the period	22,250	20,228	44,011
Dividends paid	(16,139)	(15,308)	(25,922)
Net loss recognised directly in reserves	(1,490)	(8,610)	(5,254)
Net proceeds of shares issued	1,106	3,350	4,916
Treasury shares purchased	(394)	(495)	(1,285)
Movement in other reserves	1,152	697	2,062
<b>Total movement in shareholders' funds</b>	<b>6,485</b>	<b>(138)</b>	<b>18,528</b>
<b>Shareholders' funds carried forward</b>	<b>213,093</b>	<b>187,942</b>	<b>206,608</b>

# Consolidated cash flow statement

	Notes	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
<b>Net cash inflow from operating activities</b>	6	25,963	23,398	50,754
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(5,610)	(4,687)	(10,053)
Purchase of computer software		(438)	(409)	(847)
Proceeds from sale of property, plant and equipment		482	1,452	3,609
Development costs capitalised		(2,078)	(1,666)	(3,893)
Interest received		331	572	1,035
Acquisition of businesses		(1,212)	(10,587)	(27,499)
<b>Net cash used in investing activities</b>		<b>(8,525)</b>	<b>(15,325)</b>	<b>(37,648)</b>
<b>Financing activities</b>				
Dividends paid		(16,139)	(15,308)	(25,922)
Proceeds from issue of share capital		1,106	3,350	4,916
Purchase of treasury shares		(786)	(874)	(1,272)
Interest paid		(877)	(823)	(1,894)
Drawdown of borrowings		2,300	–	–
<b>Net cash used in financing activities</b>		<b>(14,396)</b>	<b>(13,655)</b>	<b>(24,172)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	6	3,042	(5,582)	(11,066)
Cash and cash equivalents brought forward		22,051	35,826	35,826
Exchange adjustments		267	(2,018)	(2,709)
<b>Cash and cash equivalents carried forward</b>		<b>25,360</b>	<b>28,226</b>	<b>22,051</b>

# Notes to the condensed financial statements

## 1 Segmental analysis

### Sector analysis

	Revenue*		
	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
Infrastructure Sensors	80,423	74,762	154,830
Health and Analysis	62,715	56,168	119,970
Industrial Safety	44,978	36,626	79,940
Inter-segmental sales	(248)	(34)	(134)
<b>Revenue from continuing operations</b>	<b>187,868</b>	<b>167,522</b>	<b>354,606</b>

	Profit*		
	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
Infrastructure Sensors	13,765	13,660	27,975
Health and Analysis	11,954	11,129	24,445
Industrial Safety	9,030	7,093	15,998
Central companies	(439)	(413)	(498)
<b>Operating profit from continuing operations before amortisation of acquired intangibles</b>	<b>34,310</b>	<b>31,469</b>	<b>67,920</b>
Net finance expense	(747)	(842)	(1,829)
<b>Group profit before amortisation of acquired intangibles</b>	<b>33,563</b>	<b>30,627</b>	<b>66,091</b>
Amortisation of acquired intangible assets	(1,968)	(1,452)	(3,458)
Taxation	(9,345)	(8,947)	(18,622)
<b>Profit for the period</b>	<b>22,250</b>	<b>20,228</b>	<b>44,011</b>

\*The comparative figures for the 26 weeks to 30 September 2006 have been restated to reflect the reclassification of Radio-Tech Limited from the Health and Analysis sector to the Industrial Safety sector.

## 1 Segmental analysis continued

### Geographical analysis

	Revenue by destination			Revenue by origin		
	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
United Kingdom	51,704	45,024	96,556	109,068	93,591	199,859
United States of America	52,174	48,755	98,882	57,803	53,604	110,894
Mainland Europe	48,516	41,689	91,371	26,617	25,669	56,047
Asia Pacific and Australasia	19,301	17,000	35,484	9,331	9,348	18,277
Africa, Near and Middle East	11,740	9,892	22,279	–	–	–
Other countries	4,433	5,162	10,034	–	–	–
Inter-segmental sales	–	–	–	(14,951)	(14,690)	(30,471)
<b>Revenue from continuing operations</b>	<b>187,868</b>	<b>167,522</b>	<b>354,606</b>	<b>187,868</b>	<b>167,522</b>	<b>354,606</b>

	Profit by origin		
	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
United Kingdom	17,406	15,116	32,626
United States of America	11,207	10,509	22,258
Mainland Europe	4,697	4,715	10,860
Asia Pacific and Australasia	1,000	1,129	2,176
<b>Operating profit from continuing operations before amortisation of acquired intangibles</b>	<b>34,310</b>	<b>31,469</b>	<b>67,920</b>
Net finance expense	(747)	(842)	(1,829)
<b>Group profit before amortisation of acquired intangibles</b>	<b>33,563</b>	<b>30,627</b>	<b>66,091</b>
Amortisation of acquired intangible assets	(1,968)	(1,452)	(3,458)
Taxation	(9,345)	(8,947)	(18,622)
<b>Profit for the period</b>	<b>22,250</b>	<b>20,228</b>	<b>44,011</b>

## 2 Basis of preparation

The Half year report, which includes the Interim management report and Condensed financial statements for the 26 weeks to 29 September 2007, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 29 November 2007.

The report has been prepared in accordance with International Accounting Standard 34, applying the accounting policies and presentation that were applied in the preparation of the Group's statutory accounts for the 52 weeks to 31 March 2007.

The figures shown for the 52 weeks to 31 March 2007 are based on the Group's statutory accounts for that period and do not constitute the Group's statutory accounts for that period as defined in section 240 of the Companies Act 1985. These statutory accounts, which were prepared under International Financial Reporting Standards, have been filed with the Registrar of Companies. They were unqualified and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

The report has been prepared solely to provide additional information to shareholders as a body to assess the Board's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

The report contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the report. Forward-looking statements should be regarded with caution as by their nature such statements involve risks and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.

## Notes to the condensed financial statements continued

### 3 Taxation

The total Group tax charge for the 26 weeks to 29 September 2007 of £9,345,000 (26 weeks to 30 September 2006: £8,947,000; 52 weeks to 31 March 2007: £18,622,000) comprises a current tax charge of £9,195,000 (26 weeks to 30 September 2006: £9,194,000; 52 weeks to 31 March 2007: £17,874,000) and a deferred tax charge of £150,000 (26 weeks to 30 September 2006: £247,000 credit; 52 weeks to 31 March 2007: £748,000 charge). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £6,549,000 (26 weeks to 30 September 2006: £5,159,000; 52 weeks to 31 March 2007: £9,488,000) in respect of overseas tax.

### 4 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 372,554,066 (September 2006: 370,287,369; March 2007: 371,221,629) shares in issue during the period (net of shares purchased by the Company and held as treasury shares). Diluted earnings per ordinary share are calculated using 374,489,843 (September 2006: 372,168,717; March 2007: 374,036,077) shares which includes dilutive potential ordinary shares of 1,935,777 (September 2006: 1,881,348; March 2007: 2,814,448). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the period.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets after tax. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance.

A reconciliation of earnings and the effect on basic earnings per share figures is presented below:

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
Earnings from continuing operations	22,250	20,228	44,011
Add back amortisation of acquired intangible assets after taxation	1,263	1,002	2,393
<b>Adjusted earnings</b>	<b>23,513</b>	<b>21,230</b>	<b>46,404</b>

	Per ordinary share		
	Unaudited 26 weeks to 29 September 2007 pence	Unaudited 26 weeks to 30 September 2006 pence	Audited 52 weeks to 31 March 2007 pence
Earnings from continuing operations	5.97	5.46	11.86
Add back amortisation of acquired intangible assets after taxation	0.34	0.27	0.64
<b>Adjusted earnings</b>	<b>6.31</b>	<b>5.73</b>	<b>12.50</b>

### 5 Ordinary dividends

	Per ordinary share		
	Unaudited 26 weeks to 29 September 2007 pence	Unaudited 26 weeks to 30 September 2006 pence	Audited 52 weeks to 31 March 2007 pence
<b>Amounts recognised as distributions to shareholders in the period</b>			
Final dividend for the year to 31 March 2007 (1 April 2006)	4.33	4.12	4.12
Interim dividend for the year to 31 March 2007	–	–	2.85
	4.33	4.12	6.97
<b>Dividends declared in respect of the period</b>			
Interim dividend for the year to 29 March 2008 (31 March 2007)	3.00	2.85	2.85
Final dividend for the year to 31 March 2007	–	–	4.33
	3.00	2.85	7.18

## 5 Ordinary dividends continued

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
<b>Amounts recognised as distributions to shareholders in the period</b>			
Final dividend for the year to 31 March 2007 (1 April 2006)	16,139	15,308	15,308
Interim dividend for the year to 31 March 2007	–	–	10,614
	16,139	15,308	25,922
<b>Dividends declared in respect of the period</b>			
Interim dividend for the year to 29 March 2008 (31 March 2007)	11,187	10,614	10,614
Final dividend for the year to 31 March 2007	–	–	16,139
	11,187	10,614	26,753

## 6 Notes to the consolidated cash flow statement

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
<b>Reconciliation of profit from operations to net cash inflow from operating activities</b>			
Profit from continuing operations before taxation	32,342	30,017	64,462
Depreciation and amortisation of computer software	4,348	4,026	8,147
Amortisation of capitalised development costs	810	857	1,528
Amortisation of acquired intangible assets	1,968	1,452	3,458
Share-based payment expense in excess of amounts paid	1,064	655	1,317
Pension plan payments in excess of current service cost	(3,162)	(1,833)	(4,233)
Profit on sale of property, plant and equipment and computer software	(498)	(295)	(314)
Operating cash flows before movement in working capital	36,872	34,879	74,365
Increase in inventories	(927)	(1,469)	(1,648)
Decrease/(increase) in receivables	544	4,379	(3,673)
(Decrease)/increase in payables	(5,232)	(6,153)	1,215
<b>Cash generated from operations</b>	31,257	31,636	70,259
Taxation paid	(5,294)	(8,238)	(19,505)
<b>Net cash inflow from operating activities</b>	25,963	23,398	50,754
<b>Reconciliation of net cash flow to movement in net (debt)/cash</b>			
Increase/(decrease) in cash and cash equivalents	3,042	(5,582)	(11,066)
Drawdown of borrowings	(2,300)	–	–
Exchange adjustments	577	(258)	(163)
	1,319	(5,840)	(11,229)
Net (debt)/cash brought forward	(7,711)	3,518	3,518
Net debt carried forward	(6,392)	(2,322)	(7,711)

# Notes to the condensed financial statements continued

## 7 Non-GAAP measures

### Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The effect of acquisitions made during the current or prior financial period has been equalised by subtracting from the current period results a pro-rated contribution based on their revenue and profit at the date of acquisition.

	Unaudited 26 weeks to 29 September 2007 £000	Unaudited 26 weeks to 30 September 2006 £000	Audited 52 weeks to 31 March 2007 £000
<b>Return on capital employed</b>			
Operating profit from continuing operations before amortisation of acquired intangibles	34,310	31,469	67,920
<b>Operating return</b>	<b>34,310</b>	<b>31,469</b>	<b>67,920</b>
Computer software costs within intangible assets	1,675	1,343	1,577
Capitalised development costs within intangible assets	7,380	4,592	6,115
Property, plant and equipment	50,287	48,854	49,580
Inventories	39,789	37,385	39,134
Trade and other receivables	81,225	71,185	81,650
Trade and other payables	(55,935)	(51,604)	(62,590)
Tax liabilities	(9,936)	(7,762)	(6,043)
Non-current trade and other payables	(2,538)	(3,285)	(3,005)
Add back retirement benefit accruals included within payables	2,579	3,803	3,071
Add back deferred purchase consideration	2,830	2,237	3,559
<b>Capital employed</b>	<b>117,356</b>	<b>106,748</b>	<b>113,048</b>
<b>Return on capital employed (annualised)</b>	<b>58.5%</b>	<b>59.0%</b>	<b>60.1%</b>
<b>Return on total invested capital</b>			
Profit from continuing operations before amortisation of acquired intangibles after taxation	23,513	21,230	46,404
<b>Return</b>	<b>23,513</b>	<b>21,230</b>	<b>46,404</b>
Total shareholders' funds	213,093	187,942	206,608
Add back retirement benefit accruals included within payables	2,579	3,803	3,071
Add back retirement benefit obligations	34,703	48,499	37,260
Less associated deferred tax assets	(9,717)	(14,550)	(11,178)
Cumulative amortisation of acquired intangible assets	7,316	3,342	5,348
Goodwill on disposals	5,441	5,441	5,441
Goodwill amortised prior to 3 April 2004	13,177	13,177	13,177
Goodwill taken to reserves prior to 28 March 1998	70,931	70,931	70,931
<b>Total invested capital</b>	<b>337,523</b>	<b>318,585</b>	<b>330,658</b>
<b>Return on total invested capital (annualised)</b>	<b>13.9%</b>	<b>13.3%</b>	<b>14.0%</b>

## 8 Other matters

### Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

### Equity and borrowings

Issues and repurchases of Halma p.l.c.'s ordinary shares and drawdowns and repayments of borrowings are shown in the Consolidated cash flow statement.

### Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those reported in the Annual report and accounts for the 52 weeks to 31 March 2007.

## 9 Responsibility statement

We confirm that to the best of our knowledge:

- (a) these Condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
- (b) this Half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
- (c) this Half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

**A J Williams**  
Chief Executive

**K J Thompson**  
Finance Director

29 November 2007

## Directors, management team and advisers

### Board of Directors

E Geoffrey Unwin

Chairman

Andrew J Williams

Chief Executive

E Jane Aikman BEng ACA\*

Stephen R Pettit MSc\*

Neil Quinn BSc

Keith J Roy MSc

Richard A Stone MA FCA\*

Kevin J Thompson BSc FCA

\*Non-executive

### Secretary

Carol T Chesney BA FCA

### Executive Board

Andrew J Williams

Chief Executive

Kevin J Thompson

Finance Director

John S Campbell

Elevator Safety

Mark Lavelle

Process Safety

Adam J Meyers

Fluid Technology

Neil Quinn

Safety Sensors

Keith J Roy

Photonics and Water Management

Allan Stamper

Gas and Asset Monitoring

Nigel J B Trodd

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This half year report is available at:  
[www.halma.com/halmapl/investors/reports.jsp](http://www.halma.com/halmapl/investors/reports.jsp)

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