Making a difference

Halma p.l.c. Half year report 2008

HALMA

Financial highlights

CONTINUING OPERATIONS	CHANGE	2008/09	2007/08[5]
Revenue	+19%	£221.7m	£186.2m
Adjusted profit before taxation[1]	+17%	£39.0m	£33.4m
Statutory profit before taxation	+13%	£35.6m	£31.4m
Adjusted earnings per share[2]	+20%	7.52p	6.28p
Statutory earnings per share	+15%	6.85p	5.94p
Interim dividend per share	+5%	3.15p	3.00p
Return on sales[3]		17.6%	17.9%
Return on total invested capital[4]		14.7%	13.9%
Return on capital employed[4]		57.1%	58.5%

Pro-forma information:

(1) Adjusted to remove the amortisation of acquired intangible assets of £3,399,000 (2007/08: £1,968,000).

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

(3) Return on sales is defined as adjusted [1] 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 9 for details.

(5) The comparative figures for 2007/08 as previously reported have been amended to account for the disposal of Post Glover Lifelink, Inc as a discontinued operation. See note 8 for details.

Halma operates in global markets offering long-term growth underpinned by robust growth drivers. Our products help to provide innovative solutions for many of the key issues facing the world today:

Demand for energy and water resources

Growth in population, ageing and urbanisation

Increasing demand for healthcare

Rising expectations of health and safety

Halma has continued to perform well in uncertain times

Geoff Unwin
Chairman

RETURN ON TOTAL INVESTED CAPITAL**

14.7%

DIVIDEND INCREASE

5%

Halma: What we do and our strategy

Our business is to make products which protect lives and improve the quality of life for people worldwide. We do this through continuous innovation in market-leading products, which meet the increasing demands for improvements to health, safety and the environment. We build strong positions in markets where the demand is global. Our businesses are autonomous and highly entrepreneurial.

Results

For the first half, revenue from continuing operations increased 19% to £221.7m (2007/08: £186.2m) and adjusted* profit before tax from continuing operations increased 17% to £39.0m (2007/08: £33.4m). Statutory profit before tax increased by 13% to £35.6m. Organic revenue growth** was 14% and 10% at constant currency. Organic profit growth** was 13%; 8% at constant currency. Return on total invested capital** was 14.7% (2007/08: 13.9%).

We continue to invest strongly in products, people and market development. In September 2008 we announced the acquisition of Fiberguide Industries, which manufactures complex optical fibre cables and assemblies, for an initial cash consideration of $14.0m (£7.9m). In November 2008 we acquired the business and assets of Oerlikon Optics USA Inc's operation located in Golden, Colorado for $6.0m (£4.0m) in cash. The business designs and manufactures optical coatings and optomechanical assemblies.

Dividends

The Board declares an interim dividend of 3.15 pence per share, an increase of 5%, which will be paid on 4 February 2009 to shareholders on the register at 5 January 2009. 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 again been good. Our subsidiary boards are much strengthened. There has been a high rate of growth in revenues outside our traditionally strong markets of the UK, USA and Mainland Europe, adding to the growth achieved within these markets.

We have a good pipeline of possible acquisition prospects. However, as we acquire in the private markets, it may take some time for price expectations to align themselves with those prevailing in public markets. Meanwhile we are taking a patient stance regarding the deployment of capital.

Outlook

At the time of writing, stock markets are jittery, as investors begin to see the smoke clearing somewhat from the banking crisis, only to see a weakening global economic perspective. Demand for our products is underpinned by long-term growth drivers and we therefore expect Halma to continue to perform well, relative to markets as a whole.

Geoff Unwin
Chairman

* before amortisation of acquired intangible assets of £3,399,000 (2007/08: £1,968,000)
** see Financial highlights

Our strong performance over many years confirms the resilience of Halma

Andrew Williams
Chief Executive

A record performance

I am pleased to report that we have delivered a strong performance in the six-month period to 27 September 2008, achieving record revenues and profits.

Revenue growth on continuing operations of 19% produced an increase in adjusted* profit (on continuing operations after financing costs) of 17%. Operating profit* growth was 20% demonstrating continued strong product margins and investment in strengthening our sales, technical and operational resources.

Currency movements were favourable, boosting revenue by 4% and adjusted* profit by 5%. Excluding the impact of currency and acquisitions made in the current and previous year, underlying organic revenue and profit growth were 10% and 8% respectively.

Growth in all three sectors

Infrastructure Sensors performed well, increasing revenue by 15% and profit by 18%, raising the Return on sales from 17.1% to 17.6%. This was all organic growth as our Fire Detection sub-sector continued its recent record of strong progress and the benefits of restructuring our Security Sensors business last year started to emerge as planned. Automatic Door Safety also grew revenue and profit whilst profits from our Elevator Safety business were marginally down on the same period last year.

Health and Analysis achieved profit growth of 21% and revenue growth of 25%. Despite good underlying revenue growth and the expected contribution from recent acquisitions, underlying profit growth was slightly disappointing. Product margins were steady, but overhead costs grew faster in absolute terms. Actions are underway to address the specific challenges within the relevant businesses to ensure increases in resources are productive and profitable.

Our Industrial Safety sector goes from strength to strength, increasing profits by 30% and revenues by 19% – almost all organic growth. Each of our four businesses (Gas Detection, Bursting Discs, Safety Interlocks and Asset Monitoring) grew revenue and profit whilst continuing to invest more in improving distribution in new markets.

Growth in all global regions

Revenues increased to all geographic regions, but more substantially outside the UK and USA in accordance with our strategic objective. Progress was boosted by the contribution of Riester, particularly in Mainland Europe and South America. Halma businesses are aiming to increase their presence outside the UK, USA and Mainland Europe and it is pleasing to once again report significant revenue growth in the 'rest of the world' of 35% – now representing 21.5% of total Group sales.

Order intake in the period was 14% ahead of last year and we entered the second half with a larger order book than last year. Unsurprisingly, order intake growth reduced slightly throughout the period in our US and UK companies, but held up well in the other world regions and currently remains within our expectations. This resilience in demand reflects the strengths we derive from operating in diverse geographies and markets and choosing to focus on market niches where long-term sustainable growth drivers underpin demand.

Strong balance sheet and cash flow

Cash flow was in line with our strong track record. Our current syndicated revolving credit facility of £165m, which we renegotiated in February 2008 on favourable terms for a further five years, gives us headroom to support organic growth and future acquisitions. We ended the period with net debt of £48m.

Return on capital employed** remained high at 57.1% whilst our overall group measure of Return on total invested capital** was an impressive 14.7%.

The major risks and uncertainties facing Halma and what we are doing to identify, manage and mitigate them are covered in detail in our latest Annual report on page 14 (see also on www.halma.com). Clearly, recent financial and economic changes have raised the relative importance of treasury risks and risks to organic growth in the remainder of the financial year. Actions have been taken to ensure that we have sufficient headroom to continue with our strategic objectives.

* Before amortisation of acquired intangible assets
** See Financial highlights

2008/09 ORGANIC* REVENUE GROWTH

14%

2008/09 ORGANIC* PROFIT GROWTH

13%

Further acquisition investment

In September 2008 we acquired Fiberguide Industries based in New Jersey, USA for $14.0m. We followed in November 2008 with the acquisition of the Colorado operations of Oerlikon Optics USA Inc for $6.0m which will become part of Ocean Optics Inc. These each add further product depth to our existing Photonics business within the Health and Analysis sector. Riester, the German Health Optics business acquired in December 2007, performed in line with our expectations and I am particularly pleased with the collaboration between it and other Halma Health Optics businesses. We are actively searching for more acquisitions and believe the wider economic uncertainty may create additional opportunities for us.

Continued investment to drive organic growth

In China, our new manufacturing hub in Shanghai, to accommodate assembly operations for four Halma companies, is in the final phase of installation and will be operational by the end of the year. Our planned £2.5m investment in a joint venture in China to support development of our Fire Detection business did not proceed once it became clear that our respective objectives could be achieved without a formal JV arrangement. In India, our new Halma hub in Mumbai is operational and recruitment of local commercial and technical resources for Halma companies is underway.

Investment in R&D increased broadly in line with revenue growth, representing 5% of Group revenues (2007/08: 5%). Our internal Halma Annual Innovation Awards for 2008 demonstrated the more active approach we have been taking towards improving not just our new product development activities but also our manufacturing operations. Around half of all entries were for process innovations. This year's award was won by Memco for their new Panachrome elevator door sensor with the runners up being the new 'click-n-seal' Fluid Technology connection product from Diba Industries and Volk Optical's new ophthalmic lens polishing manufacturing process.

Capital expenditure during the period increased by 16% to £7.0m (2007/08: £6.0m). Projects included investments which gave businesses a 'step change' in their manufacturing capabilities and promise to drive growth in new market niches.

Outlook

Our strong performance over many years confirms the resilience of Halma during challenging macro-economic conditions. During the past 20 years or more, our Return on sales has remained high, at above 16%.

In addition to the benefits of being in diverse markets with robust long-term growth drivers, we gain significant advantage from our decentralised operating structure. We have a clear strategic framework, a flat and simple reporting structure, autonomy and accountability at the subsidiary board level and high calibre people throughout our organisation. Decisions are made by those closest to our customers and markets, often resulting in major tactical changes being implemented without delay. In previous times of economic challenge and rapid change, Halma's ability to adapt quickly to the changing market needs has enabled us to sustain growth and frequently gain market share.

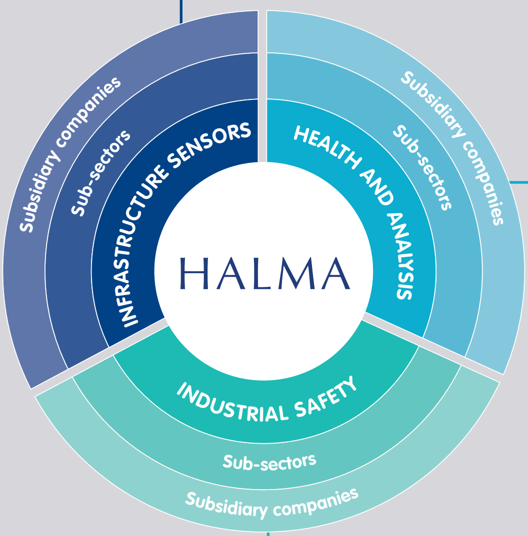
Since 2005, our strategy has been not only to resume our excellent record of organic growth and successful acquisitions, but also to significantly increase investment in people development, emerging markets, manufacturing and new product innovation. While this increased investment moderated any potential margin expansion over this short period, I am confident that the returns from our investment combined with our strong financial resources will help now to ensure we continue to perform well, relative to markets as a whole.

Andrew Williams
Chief Executive

2008 STRATEGIC ACHIEVEMENTS

What we said	What we've achieved
1. Organic growth to exceed 5% p.a.	13% organic profit growth and 14% organic revenue growth driving record results.
2. Targeted acquisitions	Fiberguide and the Colorado Oerlikon Optics USA businesses acquired for initial cash consideration of £12m strengthening our Health and Analysis sector.
3. Build on Chinese hubs and grow revenue in Asia	Revenue in Asia increased by 36%. 19 Group companies now have a direct presence in China. Manufacturing hub facility due to be operational in Shanghai by the end of the year.
4. Continued management development	Further Halma Executive Development Programmes (HEDP) completed for senior managers. Halma Management Development Programme (HMDP) continuing for middle management.
5. Maintain strong new product introduction	R&D expenditure increased by 17% to £11.0m. More new products developed through collaboration between Group companies.

What we do

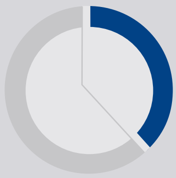


SECTORS

Infrastructure Sensors

Detecting hazards and protecting people and property in buildings.

PROFIT* CONTRIBUTION



£16m
38%

Health and Analysis

Improving public and personal health; protecting the environment.

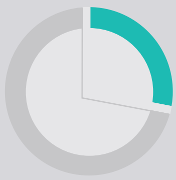
PROFIT* CONTRIBUTION

£14m
34%

Industrial Safety

Protecting property and people at work.

PROFIT* CONTRIBUTION



£12m
28%

* See note 1 to the accounts

SUB-SECTORS

FIRE DETECTION

We make fire and smoke detectors and audible/visual warning devices. We are the world's second largest manufacturer of point smoke detectors used in public and commercial property.

SECURITY SENSORS

We have a strong presence in this strategically important and fast growing market. We are market leaders in the UK and South Africa for security sensors used in public and commercial property.

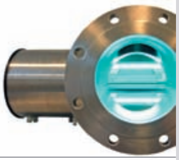
AUTOMATIC DOOR SENSORS

We are the world's largest manufacturer of sensors used on automatic doors in public and commercial buildings.

ELEVATOR SAFETY

We are the world's largest manufacturer of elevator/lift door safety sensors. We also make emergency communication devices, displays and control panels for elevators.

WATER



We are the world leaders in monitoring and finding leaks in underground water pipelines and among the world leaders in UV technology for disinfecting and treating water.

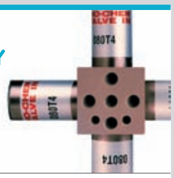
PHOTONICS

We have market leading technologies and products which generate, measure and condition light and analyse the interaction of light with substances.

HEALTH OPTICS

We make handheld devices used to assess eye health, diagnose disease and assist with eye surgery as well as diagnostic devices for general medical applications.

FLUID TECHNOLOGY



We make critical components such as pumps, probes, valves, connectors and tubing used by scientific, environmental and medical diagnostic OEMs for demanding applications.

GAS DETECTION

We make portable instruments and fixed systems which detect flammable and hazardous gases.

BURSTING DISCS

We make 'one time use' pressure relief devices to protect large vessels and pipework in process industries.

SAFETY INTERLOCKS

We make specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.

ASSET MONITORING

We make products for monitoring physical assets above ground, below ground and under water using innovative sensor and communications technologies.

Condensed financial statements
Consolidated income statement

	Notes	Unaudited 26 weeks to 27 September 2008 Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000	Unaudited 26 weeks to 29 September 2007 Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000	Audited 52 weeks to 29 March 2008 Total £000
Continuing operations								
Revenue	1	221,704	–	221,704	186,170	–	186,170	395,061
Operating profit		40,859	(3,399)	37,460	34,105	(1,968)	32,137	70,166
Finance income		4,277	–	4,277	4,017	–	4,017	8,159
Finance expense		(6,117)	–	(6,117)	(4,764)	–	(4,764)	(10,303)
Profit before taxation		39,019	(3,399)	35,620	33,358	(1,968)	31,390	68,022
Taxation	3	(10,925)	904	(10,021)	(9,978)	705	(9,273)	(19,688)
Profit for the period from continuing operations		28,094	(2,495)	25,599	23,380	(1,263)	22,117	48,334
Discontinued operations								
Net profit for the period from discontinued operations	8	–	–	–	133	–	133	1,950
Profit for the period attributable to equity shareholders	1	28,094	(2,495)	25,599	23,513	(1,263)	22,250	50,284
Earnings per ordinary share	4							
From continuing operations								
Basic		7.52p		6.85p	6.28p		5.94p	12.97p
Diluted				6.83p			5.91p	12.90p
From continuing and discontinued operations								
Basic		7.52p		6.85p	6.31p		5.97p	13.49p
Diluted				6.83p			5.94p	13.42p
Dividends in respect of the period	5							
Declared (£000)				11,786			11,190	28,187
Declared per share				3.15p			3.00p	7.55p

Consolidated balance sheet

	Unaudited 27 September 2008 £000	Unaudited 29 September 2007 £000	Audited 29 March 2008 £000
Non-current assets			
Goodwill	**164,723**	129,207	161,230
Other intangible assets	**35,980**	14,953	33,252
Property, plant and equipment	**59,930**	50,287	57,452
Deferred tax assets	**13,665**	9,717	10,069
	274,298	204,164	262,003
Current assets			
Inventories	**47,879**	39,789	44,267
Trade and other receivables	**98,366**	81,225	99,741
Cash and cash equivalents	**22,210**	25,360	28,118
	168,455	146,374	172,126
Total assets	**442,753**	350,538	434,129
Current liabilities			
Borrowings	**4,882**	31,752	7,035
Trade and other payables	**62,928**	55,935	69,420
Tax liabilities	**10,977**	9,936	8,273
	78,787	97,623	84,728
Net current assets	**89,668**	48,751	87,398
Non-current liabilities			
Borrowings	**65,142**	–	65,358
Retirement benefit obligations	**48,804**	34,703	35,957
Trade and other payables	**2,670**	2,538	2,874
Deferred tax liabilities	**4,106**	2,581	6,108
	120,722	39,822	110,297
Total liabilities	**199,509**	137,445	195,025
Net assets	**243,244**	213,093	239,104
Capital and reserves			
Share capital	**37,521**	37,394	37,446
Share premium account	**17,926**	16,263	16,949
Treasury shares	**(2,197)**	(2,058)	(3,292)
Capital redemption reserve	**185**	185	185
Translation reserve	**12,537**	(5,035)	7,144
Other reserves	**3,941**	4,806	5,106
Retained earnings	**173,331**	161,538	175,566
Shareholders' funds	**243,244**	213,093	239,104

Consolidated statement of recognised income and expense

	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Exchange differences on translation of foreign operations	**5,393**	(763)	11,352
Exchange differences transferred to profit on disposal of foreign operations	**–**	–	64
Actuarial (losses)/gains on defined benefit pension plans	**(15,146)**	23	(3,886)
Tax on items taken directly to reserves	**4,309**	(750)	343
Net (loss)/profit recognised directly in reserves	**(5,444)**	(1,490)	7,873
Profit for the period	**25,599**	22,250	50,284
Total recognised income and expense for the period	**20,155**	20,760	58,157

Reconciliation of movements in shareholders' funds

	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Shareholders' funds brought forward	**239,104**	206,608	206,608
Profit for the period	**25,599**	22,250	50,284
Dividends paid	**(16,997)**	(16,139)	(27,329)
Exchange differences on translation of foreign operations	**5,393**	(763)	11,352
Exchange differences transferred to profit on disposal of foreign operations	**–**	–	64
Actuarial (losses)/gains on defined benefit pension plans	**(15,146)**	23	(3,886)
Tax on items taken directly to reserves	**4,309**	(750)	343
Issue of shares	**1,052**	1,106	1,844
Movement in treasury shares	**1,095**	(394)	(1,628)
Movement in other reserves	**(1,165)**	1,152	1,452
Total movement in shareholders' funds	**4,140**	6,485	32,496
Shareholders' funds carried forward	**243,244**	213,093	239,104

Consolidated cash flow statement

	Note	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Net cash inflow from operating activities	6	**29,927**	25,963	58,401
Cash flows from investing activities				
Purchase of property, plant and equipment		**(6,073)**	(5,610)	(14,787)
Purchase of computer software		**(928)**	(438)	(952)
Proceeds from sale of property, plant and equipment		**1,683**	482	831
Development costs capitalised		**(1,694)**	(2,078)	(3,796)
Interest received		**379**	331	721
Acquisition of businesses		**(8,064)**	(1,212)	(46,537)
Disposal of businesses		**309**	–	2,405
Net cash used in investing activities		**(14,388)**	(8,525)	(62,115)
Financing activities				
Dividends paid		**(16,997)**	(16,139)	(27,329)
Proceeds from issue of share capital		**1,052**	1,106	1,844
Net purchase of treasury shares		**(474)**	(786)	(1,632)
Interest paid		**(1,917)**	(877)	(2,473)
(Repayment)/drawdown of borrowings		**(3,809)**	2,300	37,796
Net cash (used in)/from financing activities		**(22,145)**	(14,396)	8,206
(Decrease)/increase in cash and cash equivalents	6	**(6,606)**	3,042	4,492
Cash and cash equivalents brought forward		**28,118**	22,051	22,051
Exchange adjustments		**698**	267	1,575
Cash and cash equivalents carried forward		**22,210**	25,360	28,118

Notes to the condensed financial statements

1 Segmental analysis

Sector analysis

			Revenue
	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Infrastructure Sensors	**92,298**	80,423	167,262
Health and Analysis	**76,397**	61,017	134,630
Industrial Safety	**53,325**	44,978	93,731
Inter-segmental sales	**(316)**	(248)	(562)
Continuing operations	**221,704**	186,170	395,061
Discontinued operations (note 8)	**–**	1,698	2,894
Revenue for the period	**221,704**	187,868	397,955

Inter-segmental sales are charged at prevailing market prices.

			Profit
	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Infrastructure Sensors	**16,248**	13,765	28,504
Health and Analysis	**14,175**	11,749	27,842
Industrial Safety	**11,740**	9,030	19,355
Central companies	**(1,304)**	(439)	(778)
Continuing operations	**40,859**	34,105	74,923
Discontinued operations	**–**	205	436
Net finance expense	**(1,840)**	(747)	(2,144)
Group profit before amortisation of acquired intangibles	**39,019**	33,563	73,215
Amortisation of acquired intangible assets	**(3,399)**	(1,968)	(4,757)
Profit on disposal of operations before tax (note 8)	**–**	–	1,669
Taxation	**(10,021)**	(9,345)	(19,843)
Profit for the period	**25,599**	22,250	50,284

Notes to the condensed financial statements (continued)

1 Segmental analysis continued

Geographical analysis

	Revenue by destination			Revenue by origin		
	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000	**Unaudited 26 weeks to 27 September 2008 £000**	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
United Kingdom	**54,363**	51,704	109,253	**121,269**	109,068	228,090
United States of America	**55,753**	50,651	103,013	**62,736**	56,105	115,932
Mainland Europe	**63,957**	48,516	107,883	**43,791**	26,617	61,709
Asia Pacific and Australasia	**26,306**	19,301	42,859	**11,475**	9,331	19,422
Africa, Near and Middle East	**13,717**	11,724	22,136	**–**	–	–
Other countries	**7,608**	4,274	9,917	**–**	–	–
Inter-segmental sales	**–**	–	–	**(17,567)**	(14,951)	(30,092)
Continuing operations	**221,704**	186,170	395,061	**221,704**	186,170	395,061
Discontinued operations (note 8)	**–**	1,698	2,894	**–**	1,698	2,894
Group revenue	**221,704**	187,868	397,955	**221,704**	187,868	397,955

Inter-segmental sales are charged at prevailing market prices.

	Profit by origin		
	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
United Kingdom	**19,615**	17,406	37,608
United States of America	**10,926**	11,002	22,710
Mainland Europe	**9,358**	4,697	12,597
Asia Pacific and Australasia	**960**	1,000	2,008
Operating profit from continuing operations before amortisation of acquired intangibles	**40,859**	34,105	74,923
Discontinued operations (note 8)	**–**	205	436
Net finance expense	**(1,840)**	(747)	(2,144)
Group profit before amortisation of acquired intangibles	**39,019**	33,563	73,215
Amortisation of acquired intangible assets	**(3,399)**	(1,968)	(4,757)
Profit on disposal of operations before tax (note 8)	**–**	–	1,669
Taxation	**(10,021)**	(9,345)	(19,843)
Profit for the period	**25,599**	22,250	50,284

Notes to the condensed financial statements (continued)

2 Basis of preparation

The Half year report, which includes the Interim management report and Condensed financial statements for the 26 weeks to 27 September 2008, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 27 November 2008.

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 29 March 2008.

The figures shown for the 52 weeks to 29 March 2008 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 risk 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.

3 Taxation

The total Group tax charge (including discontinued operations) for the 26 weeks to 27 September 2008 of £10,021,000 (26 weeks to 29 September 2007: £9,345,000; 52 weeks to 29 March 2008: £19,843,000) comprises a current tax charge of £10,516,000 (26 weeks to 29 September 2007: £9,195,000; 52 weeks to 29 March 2008: £19,688,000) and a deferred tax credit of £495,000 (26 weeks to 29 September 2007: charge of £150,000; 52 weeks to 29 March 2008: charge of £155,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £6,580,000 (26 weeks to 29 September 2007: £5,227,000; 52 weeks to 29 March 2008: £10,046,000) in respect of overseas tax.

4 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 373,508,685 (September 2007: 372,554,066; March 2008: 372,769,853) 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 374,816,680 (September 2007: 374,489,843; March 2008: 374,604,505) shares which includes dilutive potential ordinary shares of 1,307,995 (September 2007: 1,935,777; March 2008: 1,834,652). 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 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Earnings from continuing and discontinued operations	**25,599**	22,250	50,284
Remove earnings from discontinued operations	**–**	(133)	(1,950)
Earnings from continuing operations	**25,599**	22,117	48,334
Add back amortisation of acquired intangible assets after taxation	**2,495**	1,263	3,344
Adjusted earnings	**28,094**	23,380	51,678

	Per ordinary share		
	Unaudited 26 weeks to 27 September 2008 pence	Unaudited 26 weeks to 29 September 2007 pence	Audited 52 weeks to 29 March 2008 pence
Earnings from continuing and discontinued operations	**6.85**	5.97	13.49
Remove earnings from discontinued operations	**–**	(0.03)	(0.52)
Earnings from continuing operations	**6.85**	5.94	12.97
Add back amortisation of acquired intangible assets after taxation	**0.67**	0.34	0.89
Adjusted earnings	**7.52**	6.28	13.86

Notes to the condensed financial statements (continued)

5 Ordinary dividends

	Per ordinary share		
	Unaudited 26 weeks to 27 September 2008 pence	Unaudited 26 weeks to 29 September 2007 pence	Audited 52 weeks to 29 March 2008 pence
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 29 March 2008 (31 March 2007)	**4.55**	4.33	4.33
Interim dividend for the year to 29 March 2008	**–**	–	3.00
	4.55	4.33	7.33
Dividends declared in respect of the period			
Interim dividend for the year to 28 March 2009 (29 March 2008)	**3.15**	3.00	3.00
Final dividend for the year to 29 March 2008	**–**	–	4.55
	3.15	3.00	7.55

	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 29 March 2008 (31 March 2007)	**16,997**	16,139	16,139
Interim dividend for the year to 29 March 2008	**–**	–	11,190
	16,997	16,139	27,329
Dividends declared in respect of the period			
Interim dividend for the year to 28 March 2009 (29 March 2008)	**11,786**	11,190	11,190
Final dividend for the year to 29 March 2008	**–**	–	16,997
	11,786	11,190	28,187

Notes to the condensed financial statements (continued)

6 Notes to the consolidated cash flow statement

	Unaudited 26 weeks to 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit from continuing operations before taxation	**37,460**	32,137	70,166
Profit from discontinued operations before taxation	**–**	205	436
Depreciation and amortisation of computer software	**5,038**	4,348	9,142
Amortisation of capitalised development costs	**1,295**	810	1,981
Amortisation of acquired intangible assets	**3,399**	1,968	4,757
Share-based payment expense in excess of amounts paid	**472**	1,064	1,997
Additional payments to pension scheme	**(3,162)**	(3,162)	(6,352)
Profit on sale of property, plant and equipment and computer software	**(27)**	(498)	(1,186)
Operating cash flows before movement in working capital	**44,475**	36,872	80,941
Increase in inventories	**(1,825)**	(927)	(2,278)
Decrease/(increase) in receivables	**2,292**	544	(9,605)
(Decrease)/increase in payables	**(7,172)**	(5,232)	6,970
Cash generated from operations	**37,770**	31,257	76,028
Taxation paid	**(7,843)**	(5,294)	(17,627)
Net cash inflow from operating activities	**29,927**	25,963	58,401
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents	**(6,606)**	3,042	4,492
Repayment/(drawdown) of borrowings	**3,809**	(2,300)	(37,796)
Exchange adjustments	**(742)**	577	(3,260)
	(3,539)	1,319	(36,564)
Net debt brought forward	**(44,275)**	(7,711)	(7,711)
Net debt carried forward	**(47,814)**	(6,392)	(44,275)

Notes to the condensed financial statements (continued)

7 Acquisitions

On 5 September 2008 the Group acquired the assets and liabilities of Fiberguide Industries, Inc, which, together with the aggregate of consideration, is summarised below. The contribution of the acquired business to the Group's revenue and profit before tax and amortisation of acquired intangible assets for the period was £299,000 and £35,000 respectively. If the acquisition had taken place at the beginning of the period it is estimated that Group reported revenue would have been £2,176,000 higher and profit before tax and amortisation of acquired intangible assets for the period would have been £221,000 higher.

Adjustments have been made to the book value of the net assets of the company to reflect their provisional fair value to the Group. The allocation of goodwill is also provisional since certain elements of the purchase consideration are conditional on future profitability.

			Unaudited 26 weeks to 27 September 2008
	Book value £000	Fair value adjustments £000	**Total £000**
Non-current assets			
Intangible assets	–	5,147	**5,147**
Property, plant and equipment	677	–	**677**
Current assets			
Inventories	943	(172)	**771**
Trade and other receivables	653	(1)	**652**
Total assets	2,273	4,974	**7,247**
Current liabilities			
Trade and other payables	(240)	(163)	**(403)**
Net assets of business acquired	2,033	4,811	**6,844**
Cash consideration, including costs			**8,174**
Deferred purchase consideration			**496**
Total consideration			**8,670**
Goodwill arising on current period acquisition			**1,826**
Goodwill arising on prior period acquisitions			**(1,640)**
Goodwill arising on acquisition			**186**

The adjustment to goodwill arising on prior period acquisitions relates mainly to additional fair value adjustments on the acquisition of PP Medizintechnik GmbH and its subsidiaries (including Rudolf Riester GmbH & Co. KG), and a revision to the estimated deferred purchase consideration on the acquisition Tritech International/System Technologies.

On 24 November 2008 the Group acquired the Golden, Colorado business, assets and liabilities of Oerlikon Optics USA Inc for cash consideration of $6,025,000 (£3,990,000). Due to the proximity of the acquisition date to the date of approval of the Half year report, it is impracticable to provide further information.

8 Discontinued operations

The discontinued operations relate to Post Glover Lifelink, Inc (PGL) which is incorporated in the USA and formed part of the Health and Analysis sector. PGL was sold in January 2008 for gross proceeds of £3,035,000 which resulted in a profit on disposal before and after taxation of £1,669,000. At the date of disposal PGL had net assets of £1,005,000.

There were no transactions associated with PGL in the 26 weeks ended 27 September 2008. The revenue associated with PGL in the 26 weeks ended 29 September 2007 was £1,698,000 (52 weeks ended 29 March 2008: £2,894,000); the operating profit in the 26 weeks ended 29 September 2007 was £205,000 (52 weeks ended 29 March 2008: £436,000); and the profit after taxation in the 26 weeks ended 29 September 2007 was £133,000 (52 weeks ended 29 March 2008: £281,000). The comparatives to 29 September 2007 as previously reported have been amended to reflect the transfer of these amounts to discontinued operations.

9 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 27 September 2008 £000	Unaudited 26 weeks to 29 September 2007 £000	Audited 52 weeks to 29 March 2008 £000
Return on capital employed			
Operating profit from continuing operations before amortisation of acquired intangibles	**40,859**	34,105	74,923
Operating profit from discontinued operations in prior period before amortisation of acquired intangibles	**–**	205	–
Operating return	**40,859**	34,310	74,923
Computer software costs within intangible assets	**2,521**	1,675	1,911
Capitalised development costs within intangible assets	**8,784**	7,380	8,240
Property, plant and equipment	**59,930**	50,287	57,452
Inventories	**47,879**	39,789	44,267
Trade and other receivables	**98,366**	81,225	99,741
Trade and other payables	**(62,928)**	(55,935)	(69,420)
Tax liabilities	**(10,977)**	(9,936)	(8,273)
Non-current trade and other payables	**(2,670)**	(2,538)	(2,874)
Add back retirement benefit accruals included within payables	**1,595**	2,579	2,087
Add back accrued deferred purchase consideration	**603**	2,830	1,189
Capital employed	**143,103**	117,356	134,320
Return on capital employed (annualised)	**57.1%**	58.5%	55.8%

Return on total invested capital			
Post-tax profit from continuing operations before amortisation of acquired intangibles	**28,094**	23,380	51,678
Post-tax profit from discontinued operations in prior period before amortisation of acquired intangibles	**–**	133	–
Return	**28,094**	23,513	51,678
Total shareholders' funds	**243,244**	213,093	239,104
Add back retirement benefit accruals included within payables	**1,595**	2,579	2,087
Add back retirement benefit obligations	**48,804**	34,703	35,957
Less associated deferred tax assets	**(13,665)**	(9,717)	(10,069)
Cumulative amortisation of acquired intangible assets	**13,597**	7,316	10,112
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
Total invested capital	**383,124**	337,523	366,740
Return on total invested capital (annualised)	**14.7%**	13.9%	14.1%

Notes to the condensed financial statements (continued)

10 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 29 March 2008.

Events after the balance sheet date
On 24 November 2008 the Group acquired the Golden, Colorado business, assets and liabilities of Oerlikon Optics USA Inc for $6,025,000 (£3,990,000).

11 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

Andrew Williams
Chief Executive
27 November 2008

Kevin Thompson
Finance Director

Directors, executive team and advisers

Board of Directors
E Geoffrey Unwin *Chairman*
Andrew J Williams *Chief Executive*
E Jane Aikman BEng FCA*
Adam J Meyers BSc MBA
Stephen R Pettit MSc*
Neil Quinn BSc
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*
Charles E Dubois *Fluid Technology*
Mark Lavelle *Process Safety*
Adam J Meyers *Health Optics and Photonics*
Neil Quinn *Safety Sensors*
Allan Stamper *Water and Asset Monitoring*
Nigel J B Trodd *Fire and Gas*
Nigel J Young *Special Projects*

Registered office
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE
Tel: +44 (0)1494 721111
Fax: +44 (0)1494 728032
Website: www.halma.com
Registered in England and Wales, number 40932

Investor relations contacts
Andrew Williams
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE
Tel: +44 (0)1494 721111
Fax: +44 (0)1494 728032
E-mail: halma@halma.com

Rachel Hirst/Andrew Jaques
Hogarth Partnership Limited
2nd Floor
Upstream
No 1 London Bridge
London SE1 9BG
Tel: +44 (0)20 7357 9477
Fax: +44 (0)20 7357 8533

Auditors
Deloitte & Touche LLP
Abbots House, Abbey Street
Reading, Berks RG1 3BD

Bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Brokers and joint financial advisers
Dresdner Kleinwort Limited
P O Box 52715, 30 Gresham Street
London EC2P 2XY
Tel: +44 (0)20 7475 7319
Fax: +44 (0)20 7283 4667
E-mail: halma@dkib.com

Financial advisers
Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: +44 (0)870 707 1046
Fax: +44 (0)870 703 6101
E-mail: web.queries@computershare.co.uk
Website: www-uk.computershare.com/investor

Solicitors
CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

HALMA

Halma p.l.c.
Misbourne Court
Rectory Way
Amersham
Bucks HP7 ODE

Tel: +44 (0)1494 721111
Fax: +44(0)1494 728032
Web: www.halma.com