Halma p.l.c. Interim report 2006/07

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

HALMA

Financial highlights

	Change	2006/07	2005/06
Continuing operations			
Revenue	+19%	£167.5m	£140.4m
Adjusted profit before taxation(1)	+17%	£30.6m	£26.2m
Statutory profit before taxation	+12%	£29.2m	£26.0m
Adjusted earnings per share(2)	+18%	5.73p	4.87p
Statutory earnings per share	+13%	5.46p	4.83p
Proposed dividend per share	+5%	2.85p	2.71p
Return on sales(3)		18.3%	18.7%
Return on total invested capital(4)		13.3%	12.5%
Return on capital employed(4)		59.0%	50.6%

The results for the 26 weeks to 1 October 2005 have been re-presented, as businesses subsequently sold are now shown within discontinued operations. See note 7.

Pro-forma information:
(1) Adjusted to remove the amortisation of acquired intangible assets of £1,452,000 (2005/06: £215,000).
(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.

Highlights of the half year

- → Organic revenue growth(4) of 11% and organic profit growth(4) of 8%
- → Pre-tax profit(1) from continuing operations up by 17% to £30.6m (2005/06: £26.2m)
- → Revenue from continuing operations increased by 19% to £167.5m (2005/06: £140.4m)
- → Increased revenues and profits in all three sectors reflect the payback from Halma's increased investment in product innovation, sales and people development
- → High margins maintained and significant shareholder value generated as Halma delivers strong returns from its continuing businesses with ROCE(4) of 59.0% (2005/06: 50.6%) and ROTIC(4) of 13.3% (2005/06: 12.5%)
- → Good cash generation underpins Halma's progressive dividend policy with a recommended increase of 5%

Chairman's statement

"The Board remains positive about the Group's prospects for the full year."

Results

For the first half, revenue from continuing operations increased 19% to £167.5 million (2005/06: £140.4 million) and adjusted* profit before tax from continuing operations increased 17% to £30.6 million (2005/06: £26.2 million). Statutory profit before tax increased by 12% to £29.2 million. Organic revenue growth was 11% and organic profit growth was 8% reflecting continuing investment in product, market and people development.

Return on total invested capital** increased to 13.3% (2005/06: 12.5%).

We also made two small acquisitions in the Health and Analysis sector – Mikropack and Baldwin Environmental. Since the half year end we have acquired Tritech to strengthen our Industrial Safety presence in the growing energy markets.

Dividends

The Board proposes an interim dividend of 2.85 pence per share, an increase of 5% which will be paid on 7 February 2007 to shareholders on the register at 5 January 2007.

In August we introduced a dividend re-investment plan (DRIP) to give shareholders the option of using their dividends to buy new shares in Halma through a low cost dealing service. Shareholders who have elected to receive dividends in this way will receive their first DRIP dividend in February 2007. Shareholders may sign up for the DRIP at any time, but the last date for electing to receive the interim dividend in this way will be 17 January 2007.

Progress

We have seen good progress across the Group and it is pleasing to see the investments we have made in increased innovation and market development bearing fruit as illustrated by our strong organic growth. In particular, our investments in management development are showing excellent returns.

Increased effort is being applied to finding acquisitions which match both our strategic focus and our strict acquisition criteria. We have significant financial capacity and increased management depth to support this effort.

Outlook

The Board remains positive about the Group's prospects for the full year.

Geoff Unwin Chairman

*Before amortisation of acquired intangible assets of £1,452,000 (2005/06: £215,000).
**See Financial highlights.

Chief Executive's review

"This half year Halma built on the organic growth momentum re-established last year."

Record results

We have achieved record interim revenue and profit reflecting robust and widespread organic growth across all the Group's business sectors and all geographic territories.

Organic revenue growth of 11% delivered organic profit growth of 8% reflecting the Group's higher investment in sales, innovation and people development through initiatives such as establishing Halma hubs in China and the Halma Executive Development Programme.

Widespread growth

It is satisfying to report that our Infrastructure Sensors sector is now delivering profit growth as well as revenue growth. Our strategic decision to increase investment in sales, distribution and product development is bearing fruit. This increased investment continues, particularly in our Elevator Safety business where we are developing and implementing a clearer strategy for collaboration across product lines and global regions. Our Automatic Door Sensor business has performed well, benefiting from the launch of innovative new products and revitalised management.

Health and Analysis is making progress with a particularly good performance from Photonics where we are maintaining strong revenue growth and seeking to further develop our business internationally. In Fluid Technology and Water, we have increased investment in sales and product development resulting in encouraging revenue growth and flat profits.

Industrial Safety is a sector which has consistently delivered solid organic growth over many years and this period proved no exception. Their sustained growth is testament to the continuous improvements being made in people, products, operations and customer service levels. All three businesses (Gas Detection, Safety Interlocks and Bursting Discs) benefit somewhat from the buoyant energy markets, although a majority of revenue is from other industries.

Strategic achievements

- → Organic profit growth* 8%, organic revenue growth* 11%
- → Three acquisitions strengthen technology platforms
- → Chinese hubs in Shanghai and Beijing
- → Two Executive Development Programmes completed and two more in progress
- → 59% ROCE* funds organic growth, acquisitions and dividend increase

Strategic directions

- → Organic growth to exceed 5% p.a.
- → Acquisitions – particularly in Health and Analysis
- → Establish Chinese hubs
- → Continued management development
- → Maintain strong new product innovation

Acquisition research activity increased
At a Group level, the positive impact of the M&A activity of the past 18 months on our financial performance is clear. Acquisition research activity has increased and during the first half we made two small acquisitions in the Health and Analysis sector. Mikropack and Baldwin Environmental strengthen our technology platforms in Photonics and Fluid Technology respectively.

Following the half year end we acquired Tritech, a leader in underwater safety technology, adding to our safety product offering to the energy and homeland security markets.

Sales, innovation and people development – key growth drivers
Our drive to grow revenues internationally continues. Halma hubs in Shanghai and Beijing are fully operational with sales representatives from several Group companies already in place. Our major office, in Shanghai, was officially opened during the 4th Halma World Sales Conference held in October 2006 which was attended by more than 50 of our senior sales people.

Our commitment to develop people is a critical element in our strategy for sustainable growth. The first two Halma Executive Development Programmes are complete and culminated in each programme spending a week in China and India respectively. This is proving to be a powerful way of broadening the skills and experiences of our senior people at both a professional and personal level.

Innovation is one of our core values. It impacts upon all aspects of our business and is particularly valuable in new product development. This year's Halma Annual Innovation Award was won by a new product from Radio-Tech which provides remote monitoring of railtrack temperatures to improve railway safety. The top three entries also included a new door safety sensor from BEA and a revolutionary colour filter system for lighting from Ocean Optics. All products are already contributing to our revenue growth providing further evidence of the talented people and wide range of technologies and applications know-how we have throughout the Group.

Good financial performance
Cash generation is an important focus for us. With our key performance metrics such as ROTIC* (return on total invested capital), ROCE* (return on capital employed) and ROS* (return on sales) remaining strong, the first six months' cash generation was also good and in line with expectations.

During the first half, there was a moderate currency headwind. This is likely to have a greater adverse effect in the second half. As expected, the costs of share-based payments increased as the new Performance Share Plans are rolled out and accounted for under IFRS. However, the expected impact of these factors is considered in our comments on the prospects for the year.

Summary
This half year Halma built on the organic growth momentum re-established last year. We are more active in our search for suitable acquisition opportunities in, or adjacent to, our existing markets. We continue to invest for the long term and remain positive about our prospects for the full year.

Andrew Williams Chief Executive

*See Financial highlights.

We have three sectors...

Infrastructure Sensors

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

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.

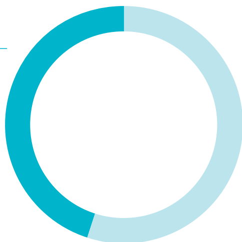
Industrial Safety

We make products which protect property and people at work.

Infrastructure Sensors revenue 2006/07 £m

£75m

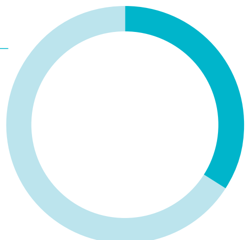
45%



Health and Analysis revenue 2006/07 £m

£58m

34%



Industrial Safety revenue 2006/07 £m

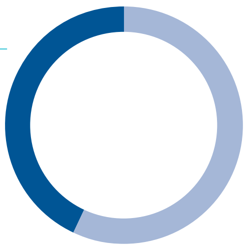
£35m

21%

Infrastructure Sensors profit* 2006/07 £m

£14m

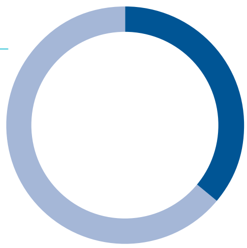
43%



Health and Analysis profit* 2006/07 £m

£11m

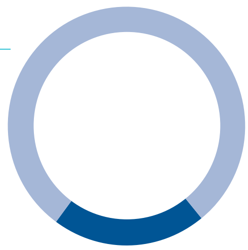
36%



Industrial Safety profit* 2006/07 £m

£7m

21%



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

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

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

*See note 1.

...and
one approach

As a group we are:

→ Autonomous and entrepreneurial
→ Highly cash generative
→ Financially strong
→ Successful acquisition integrators
→ Effective people/team builders
→ Good at sharing opportunities

Our businesses have:

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

Consolidated income statement

	Notes	Unaudited 26 weeks to 30 September 2006 Before acquired intangibles amortisation and goodwill written off £000	Amortisation of acquired intangibles and goodwill written off £000	Total £000	Unaudited 26 weeks to 1 October 2005 Before acquired intangibles amortisation and goodwill written off £000	Amortisation of acquired intangibles and goodwill written off £000	Total £000	Audited 52 weeks to 1 April 2006 Total £000
Continuing operations								
Revenue	1	167,522	–	167,522	140,370	–	140,370	310,768
Operating profit		31,469	(1,452)	30,017	26,786	(215)	26,571	58,460
Net finance expense		(842)	–	(842)	(593)	–	(593)	(1,820)
Profit before taxation		30,627	(1,452)	29,175	26,193	(215)	25,978	56,640
Taxation	3	(9,397)	450	(8,947)	(8,237)	76	(8,161)	(17,034)
Profit for the period from continuing operations		21,230	(1,002)	20,228	17,956	(139)	17,817	39,606
Discontinued operations								
Net (loss)/profit for the period from discontinued operations		–	–	–	(487)	(1,323)	(1,810)	1,269
Profit for the period attributable to equity shareholders	1	21,230	(1,002)	20,228	17,469	(1,462)	16,007	40,875
Earnings per ordinary share	4							
From continuing operations								
Basic		5.73p		5.46p	4.87p		4.83p	10.73p
Diluted				5.44p			4.83p	10.69p
From continuing and discontinued operations								
Basic				5.46p			4.34p	11.08p
Diluted				5.44p			4.34p	11.03p
Dividends in respect of the period	5							
Proposed and paid (£000)				10,611			10,006	25,216
Proposed and paid per share				2.85p			2.71p	6.83p

The results for the 26 weeks to 1 October 2005 have been re-presented, as businesses subsequently sold are now shown within discontinued operations. See note 7.

Consolidated balance sheet

	Unaudited 30 September 2006 £000	Unaudited 1 October 2005 £000	Audited 1 April 2006 £000
Non-current assets			
Goodwill	120,606	104,689	122,038
Other intangible assets	11,554	5,878	12,166
Property, plant and equipment	48,854	50,368	50,054
Deferred tax assets	14,550	13,757	13,803
	195,564	174,692	198,061
Current assets			
Inventories	37,385	35,903	36,660
Trade and other receivables	71,185	68,210	77,523
Cash and cash equivalents	28,226	36,232	35,826
	136,796	140,345	150,009
Total assets	332,360	315,037	348,070
Current liabilities			
Borrowings	30,548	34,339	32,308
Trade and other payables	51,604	48,868	66,035
Tax liabilities	7,762	6,856	7,316
	89,914	90,063	105,659
Net current assets	46,882	50,282	44,350
Non-current liabilities			
Retirement benefit obligations	48,499	45,858	46,019
Trade and other payables	3,285	1,900	5,096
Deferred tax liabilities	2,720	2,405	3,216
	54,504	50,163	54,331
Total liabilities	144,418	140,226	159,990
Net assets	187,942	174,811	188,080
Shareholders' equity			
Called up share capital	37,194	36,910	36,933
Share premium account	13,791	10,421	10,702
Treasury shares	(874)	–	(379)
Capital redemption reserve	185	185	185
Translation reserve	(1,299)	3,798	5,944
Other reserves	2,289	766	1,592
Retained earnings	136,656	122,731	133,103
Total shareholders' equity	187,942	174,811	188,080

Statement of recognised income and expense

	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Audited 52 weeks to 1 April 2006 £000
Exchange differences on translation of foreign operations	(7,243)	3,654	5,826
Exchange differences recycled from reserves on disposal of operations	–	–	(26)
Actuarial losses on defined benefit pension schemes	(2,111)	(5,760)	(10,355)
Tax on items taken directly to equity	744	1,520	1,625
Net loss recognised directly in equity	(8,610)	(586)	(2,930)
Profit for the period	20,228	16,007	40,875
Total recognised income and expense for the period	11,618	15,421	37,945

Reconciliation of movements in shareholders' equity

	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Audited 52 weeks to 1 April 2006 £000
Shareholders' equity brought forward	188,080	173,259	173,259
Profit for the period	20,228	16,007	40,875
Dividends paid	(15,308)	(14,462)	(24,468)
Exchange differences on translation of foreign operations	(7,243)	3,654	5,826
Exchange differences recycled from reserves on disposal of operations	–	–	(26)
Actuarial losses on defined benefit pension schemes	(2,111)	(5,760)	(10,355)
Tax on items taken directly to equity	744	1,520	1,625
Net proceeds of shares issued	3,350	340	644
Treasury shares purchased	(495)	–	(379)
Movement in other reserves	697	253	1,079
Total movement in shareholders' equity	(138)	1,552	14,821
Shareholders' equity carried forward	187,942	174,811	188,080

Consolidated cash flow statement

	Note	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Audited 52 weeks to 1 April 2006 £000
Net cash inflow from operating activities	8	23,398	23,943	53,362
Cash flows from investing activities				
Purchase of property, plant and equipment		(4,687)	(5,813)	(11,878)
Purchase of computer software		(409)	(297)	(717)
Proceeds from sale of property, plant and equipment		1,452	387	1,032
Development costs capitalised		(1,666)	(1,115)	(2,500)
Interest received		572	642	1,026
Acquisition of businesses		(10,587)	(12,363)	(36,178)
Disposal of businesses		–	396	14,641
Net cash used in investing activities		(15,325)	(18,163)	(34,574)
Financing activities				
Dividends paid		(15,308)	(14,462)	(24,468)
Proceeds from issue of share capital		3,350	340	644
Purchase of treasury shares		(874)	–	–
Interest paid		(823)	(612)	(1,455)
Repayment of borrowings		–	(240)	(3,050)
Net cash used in financing activities		(13,655)	(14,974)	(28,329)
Decrease in cash and cash equivalents	8	(5,582)	(9,194)	(9,541)
Cash and cash equivalents brought forward		35,826	45,348	45,348
Exchange adjustments		(2,018)	78	19
Cash and cash equivalents carried forward		28,226	36,232	35,826

Notes to the interim report

1 Segmental analysis

Sector analysis

	Revenue		Profit	
	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000
Infrastructure Sensors	74,762	58,573	13,660	10,370
Health and Analysis	57,833	50,257	11,419	10,308
Industrial Safety	34,941	31,765	6,803	5,761
Inter-segmental sales	(14)	(225)	–	–
Central companies	–	–	(413)	347
Continuing operations	167,522	140,370	31,469	26,786
Discontinued operations	–	16,434	–	581
Net finance expense	–	–	(842)	(593)
Group revenue/profit before amortisation of acquired intangibles	167,522	156,804	30,627	26,774
Amortisation of acquired intangible assets	–	–	(1,452)	(237)
Loss on disposal of operations before tax	–	–	–	(2,362)
Taxation	–	–	(8,947)	(8,168)
Revenue/profit for the period	167,522	156,804	20,228	16,007

The results for the 26 weeks to 1 October 2005 have been re-presented, as businesses subsequently sold are now shown within discontinued operations. See note 7.

1 Segmental analysis continued

Geographical analysis

	By destination		By origin	
	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000
Revenue				
United Kingdom	45,024	37,361	93,591	77,184
United States of America	48,755	43,572	53,604	47,576
Mainland Europe	41,689	34,752	25,669	20,572
Asia Pacific and Australasia	17,000	15,460	9,348	7,772
Africa, Near and Middle East	9,892	5,365	–	–
Other countries	5,162	3,860	–	–
Inter-segmental sales	–	–	(14,690)	(12,734)
Revenue from continuing operations	167,522	140,370	167,522	140,370
Discontinued operations	–	16,434	–	16,434
Group revenue	167,522	156,804	167,522	156,804
Profit before taxation				
United Kingdom			15,116	13,359
United States of America			10,509	9,212
Mainland Europe			4,715	3,148
Asia Pacific and Australasia			1,129	1,067
Profit from continuing operations			31,469	26,786
Discontinued operations			–	581
Net finance expense			(842)	(593)
Group profit before amortisation of acquired intangibles			30,627	26,774
Amortisation of acquired intangible assets			(1,452)	(237)
Loss on disposal of operations before tax			–	(2,362)
Taxation			(8,947)	(8,168)
Profit for the period			20,228	16,007

The results for the 26 weeks to 1 October 2005 have been re-presented, as businesses subsequently sold are now shown within discontinued operations. See note 7.

Notes to the interim report continued

2 Basis of preparation

The interim report is unaudited and was approved by the Directors on 5 December 2006.

The report has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's statutory accounts for the 52 weeks to 1 April 2006.

The figures shown for the 52 weeks to 1 April 2006 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, received an unqualified audit report and have been filed with the Registrar of Companies.

3 Taxation

The total Group tax charge for the 26 weeks to 30 September 2006 of £8,947,000 (2005/06: £8,168,000) comprises a tax charge on profit from continuing operations of £8,947,000 (2005/06: £8,161,000) and a tax charge of £nil (2005/06: £7,000) in relation to discontinued operations.

The tax charge for the 26 weeks to 30 September 2006 comprises a current tax charge of £9,194,000 (2005/06: £8,066,000) and a deferred tax credit of £247,000 (2005/06: £102,000 charge). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £5,159,000 (2005/06: £4,481,000) in respect of overseas tax.

4 Earnings per ordinary share

Earnings per ordinary share are calculated using the weighted average of 370,287,369 (2005/06: 368,917,910) shares in issue during the period (net of shares purchased by Halma p.l.c. and held as treasury shares). Diluted earnings per ordinary share are calculated using 372,168,717 (2005/06: 369,212,399) shares which includes dilutive potential ordinary shares of 1,881,348 (2005/06: 294,489). The Company's 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.

Earnings from continuing operations per ordinary share before the amortisation of acquired intangible assets represents a more consistent measure of underlying performance. A reconciliation of earnings and the effect on per share figures is presented below:

			Per ordinary share	
	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Unaudited 26 weeks to 30 September 2006 pence	Unaudited 26 weeks to 1 October 2005 pence
Earnings from continuing and discontinued operations	20,228	16,007	5.46	4.34
Remove loss from discontinued operations	–	1,810	–	0.49
Earnings from continuing operations	20,228	17,817	5.46	4.83
Add back amortisation of acquired intangible assets after taxation	1,002	139	0.27	0.04
Adjusted earnings	21,230	17,956	5.73	4.87

5 Ordinary dividends

	Per ordinary share			
	Unaudited 26 weeks to 30 September 2006 pence	Unaudited 26 weeks to 1 October 2005 pence	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000
Amounts recognised as distributions to shareholders in the period				
Final dividend for the year to 1 April 2006 (2 April 2005)	4.12	3.92	15,308	14,462
Dividends declared in respect of the period				
Interim dividend for the year to 31 March 2007 (1 April 2006)	2.85	2.71	10,611	10,006

6 Acquisitions

In April 2006 the Group acquired Mikropack GmbH Aufbautechnik in der Sensorik (Mikropack) for an initial cash consideration of €2,250,000 plus additional consideration of up to €2,250,000 based on earnings for the two-year period ending 31 March 2007. In September 2006 the Group acquired assets associated with conditioning equipment for industrial emissions monitoring and process control applications from Baldwin Environmental Inc. for an initial consideration of $1,100,000. Additional consideration of up to $700,000 may be paid dependent upon net revenue growth for the period to March 2009.

7 Discontinued operations

The results from discontinued operations relate to operations sold during the 52 weeks to 1 April 2006.

The results for the 26 weeks to 1 October 2005 have been re-presented. The results of operations previously included within continuing operations that were subsequently sold during the period to 1 April 2006 have been removed from continuing operations and are now shown within discontinued operations. The effect on the results for the 26 weeks to 1 October 2005 has been to reclassify sales of £12,066,000, operating profit of £387,000 and tax charge of £122,000 from continuing operations to discontinued operations.

The effect on revenue by sector is as follows:

	Unaudited 26 weeks to 1 October 2005		
Revenue	As previously presented £000	Reclassifications £000	As re-presented £000
Infrastructure Sensors	58,573	–	58,573
Health and Analysis	51,307	(1,050)	50,257
Industrial Safety	42,864	(11,099)	31,765
Inter-segmental sales	(308)	83	(225)
Revenue from continuing operations	152,436	(12,066)	140,370
Discontinued operations	4,368	12,066	16,434
Group revenue	156,804	–	156,804

Notes to the interim report continued

8 Notes to the consolidated cash flow statement

	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000	Audited 52 weeks to 1 April 2006 £000
Reconciliation of operating profit to net cash inflow from operating activities			
Profit from continuing operations before taxation	30,017	26,571	58,460
Profit from discontinued operations before taxation	–	559	1,472
Depreciation and amortisation of computer software	4,026	4,089	8,373
Amortisation of capitalised development costs	857	741	1,441
Amortisation of acquired intangible assets	1,452	237	1,529
Share-based payment expense in excess of amounts paid	655	271	742
Additional payments to pension scheme	(1,833)	(186)	(1,357)
(Profit)/loss on sale of property, plant and equipment and computer software	(295)	89	174
Operating cash flows before movement in working capital	34,879	32,371	70,834
(Increase)/decrease in inventories	(1,469)	7	647
Decrease/(increase) in receivables	4,379	2,132	(6,225)
(Decrease)/increase in payables	(6,153)	(3,950)	4,921
Cash generated from operations	31,636	30,560	70,177
Taxation paid	(8,238)	(6,617)	(16,815)
Net cash inflow from operating activities	23,398	23,943	53,362

Reconciliation of net cash flow to movement in net cash			
Decrease in cash and cash equivalents	(5,582)	(9,194)	(9,541)
Repayment of borrowings	–	240	3,050
Exchange adjustments	(258)	(1,157)	(1,995)
	(5,840)	(10,111)	(8,486)
Net cash brought forward	3,518	12,004	12,004
Net (debt)/cash carried forward	(2,322)	1,893	3,518

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.

Return on capital employed

	Unaudited 26 weeks to 30 September 2006 £000	Unaudited 26 weeks to 1 October 2005 £000
Operating profit from continuing operations before amortisation of acquired intangibles	31,469	26,786
Operating profit from discontinued operations before amortisation of acquired intangibles	–	581
Operating return	31,469	27,367
Computer software costs within intangible assets	1,343	1,350
Capitalised development costs within intangible assets	4,592	2,817
Property, plant and equipment	48,854	50,368
Inventories	37,385	35,903
Trade and other receivables	71,185	68,210
Trade and other payables	(51,604)	(48,868)
Tax liabilities	(7,762)	(6,856)
Non-current trade and other payables	(3,285)	(1,900)
Add back retirement benefit accruals included within payables	3,803	1,122
Add back deferred purchase consideration	2,237	5,968
Capital employed	106,748	108,114
Return on capital employed (annualised)	59.0%	50.6%

Return on total invested capital

Profit from continuing operations before amortisation of acquired intangibles after taxation	21,230	17,956
Profit from discontinued operations before amortisation of acquired intangibles after taxation	–	398
Return	21,230	18,354
Total shareholders' equity	187,942	174,811
Add back retirement benefit accruals included within payables	3,803	1,122
Add back retirement benefit obligations	48,499	45,858
Less associated deferred tax assets	(14,550)	(13,757)
Cumulative amortisation of acquired intangible assets	3,342	598
Goodwill on disposals	5,441	1,308
Goodwill amortised prior to 3 April 2004	13,177	13,177
Goodwill taken to reserves prior to 28 March 1998	70,931	70,931
Total invested capital	318,585	294,048
Return on total invested capital (annualised)	13.3%	12.5%

Directors and advisers

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Chairman
Andrew J Williams
Chief Executive
Stephen R Pettit MSc*
Neil Quinn BSc
Keith J Roy MSc
Richard A Stone MA FCA*
Kevin J Thompson BSc FCA
Andrew J Walker MA CEng*

*Non-executive

Secretary
Carol T Chesney BA FCA

Executive Board
Andrew J Williams
Chief Executive
Kevin J Thompson
Finance Director
John S Campbell
Adam J Meyers
Neil Quinn
Andrew J Richardson
Keith J Roy
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