

Who we are

Strategy

We aim to achieve high returns on invested capital and create sustained shareholder value.

OUR STRATEGY

Create sustained shareholder value by operating in markets offering consistent high-returns and long-term growth

STRATEGIC DIRECTIONS

Organic growth Acquisitions

DELIVERING THE STRATEGY

- | | |
|---|---|
| <ul style="list-style-type: none"> • Niche market focus • Entrepreneurial culture • Decentralised decision making • High quality management • Intercompany collaboration | <ul style="list-style-type: none"> • Strong financial resources • Investment in innovation • International operations • Acquisition/disposal expertise • Progressive dividend policy |
|---|---|

Overall strategy

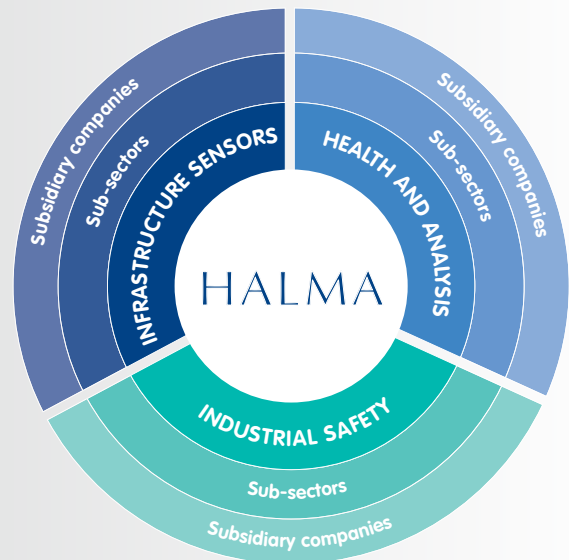
We achieve sustainable competitive advantage by operating in relatively non-cyclical, specialised global markets. Our chosen markets have significant barriers to entry for competitors, are underpinned by resilient growth drivers and must offer the potential for high returns and strong long-term growth.

Strategic priorities

Our main strategic priority is organic growth. We aim to achieve this by adding value to our businesses and building market leadership that provides high returns. In addition, we aim to acquire companies and intellectual assets that enhance our existing activities.

Organisation

We are a highly decentralised organisation with an entrepreneurial and achievement-oriented culture.



A small head office team focuses on setting the strategic framework and maintains a standard process of financial planning, reporting and control. Halma subsidiaries are grouped into operating Divisions, each of which is an autonomous unit, chaired by a Halma Divisional Chief Executive, responsible for its own growth.

Our decentralised structure delivers real competitive advantage. Tactical decision making takes place at operating company level by managers closest to markets with the ability to allocate resources. This ensures quick and agile responses to market changes.

Incentives are aligned with the performance of the part of the business for which subsidiary directors and Divisional Chief Executives have direct responsibility.

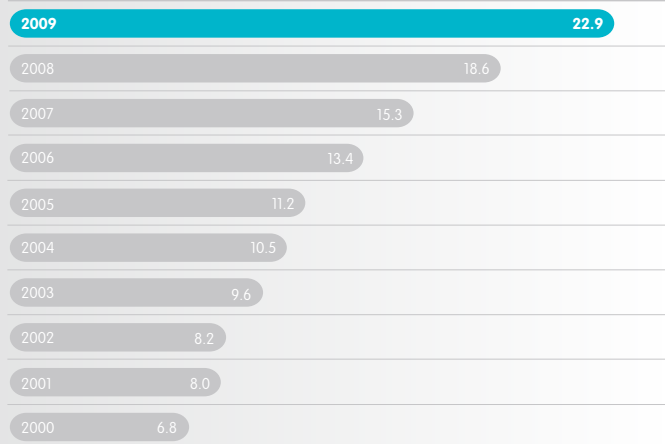
Innovation

We are committed to investing in innovation in new products and processes.

RESEARCH & DEVELOPMENT EXPENDITURE

£million

£22.9m **+23%**



We refresh our businesses by implementing creative ideas in new products and in the way we design, sell and manufacture.

In 2008/09, our investment in R&D for new products increased to £22.9m representing 5% of our revenue. The benefit of this continued investment is reflected in building market leadership and maintaining strong margins.

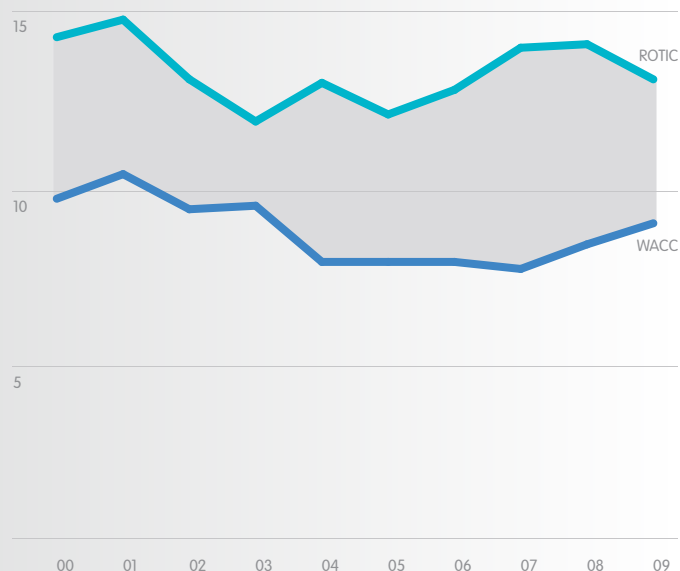
We celebrate and reward our most successful innovation projects in the Halma Annual Innovation Awards. In 2009, the award was won by BEA SA for a new door safety sensor based on laser technology.

Performance

We have a strong track record of sustained value creation.

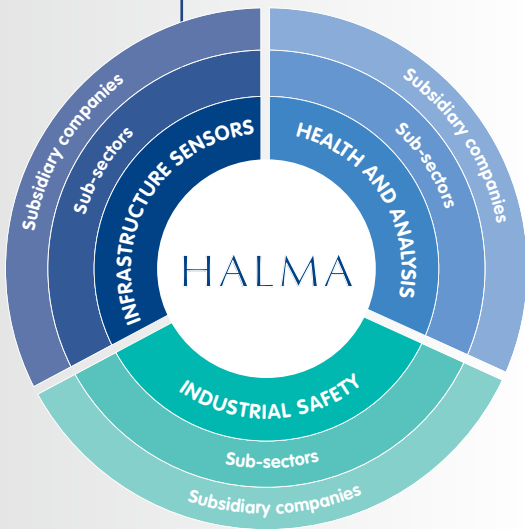
VALUE CREATED: ROTIC vs WACC

%



We aim to deliver a Return on total invested capital (RO TIC) well in excess of our Weighted average cost of capital (WACC) every year. Our ROTIC is the post-tax return on the Group's assets including all historic goodwill. Achieving a high ROTIC therefore requires our subsidiaries to deliver a high return against their operating assets and drives us to pay sensible prices when acquiring good companies. ROTIC is one of the performance metrics we use in our long-term Performance Share Plans for senior managers including subsidiary Managing Directors.

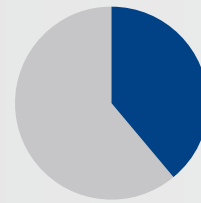
What we do



Infrastructure Sensors

Detecting hazards and protecting assets and people in buildings.

PROFIT* CONTRIBUTION



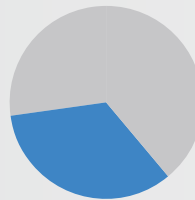
£33m
39%

FOR MORE INFORMATION SEE P22

Health and Analysis

Improving public and personal health; protecting the environment.

PROFIT* CONTRIBUTION



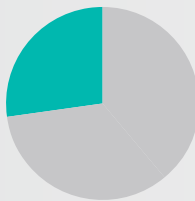
£29m
34%

FOR MORE INFORMATION SEE P26

Industrial Safety

Protecting assets and people at work.

PROFIT* CONTRIBUTION



£22m
27%

FOR MORE INFORMATION SEE P30

* See note 1 to the accounts

SUB-SECTORS

 <p>FIRE DETECTION Fire and smoke detectors and audible/visual warning devices. World's second largest manufacturer of point smoke detectors used in public and commercial property.</p>	 <p>SECURITY SENSORS Security sensors used in public and commercial property. Market leaders in the UK and South Africa.</p>	 <p>AUTOMATIC DOOR SENSORS World leader in sensors used on automatic doors in public and commercial buildings.</p>	 <p>ELEVATOR SAFETY World leader in elevator/lift door safety sensors. We also make emergency communication devices, displays and control panels for elevators.</p>
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SUB-SECTORS

 <p>WATER World leader in monitoring and finding leaks in underground water pipelines. Among the world leaders in UV technology for disinfecting and treating water.</p>	 <p>PHOTONICS Market leading technologies and products which generate, measure and condition light and analyse the interaction of light with substances.</p>	 <p>HEALTH OPTICS Handheld devices used to assess eye health, diagnose disease and assist with eye surgery as well as diagnostic devices for general medical applications.</p>	 <p>FLUID TECHNOLOGY Critical components such as pumps, probes, valves, connectors and tubing used by scientific, environmental and medical diagnostic OEMs for demanding applications.</p>
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SUB-SECTORS

 <p>GAS DETECTION Portable instruments and fixed systems which detect flammable and hazardous gases.</p>	 <p>BURSTING DISKS "One time use" pressure relief devices to protect large vessels and pipework in process industries.</p>	 <p>SAFETY INTERLOCKS Specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.</p>	 <p>ASSET MONITORING Products for monitoring physical assets above ground and under water using innovative sensors and communications technologies.</p>
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